

While the charters of the Nomination and the Compensation Committee (which also specifically allow the appointment of advisors) were only formally adopted by the Board on May 6, 2013, the appointment of advisors was nevertheless a recognized prerogative of the committees as exemplified by the appointment by the Nomination Committee of its own advisor.	
---	--

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

Existing Policies	Changes	Reason
Audit Committee Charter	Amendments approved were for purposes of complying with the requirements of the SEC Memorandum Circular No 4, Series of 2012 relating to the assessment of the performance of the Audit Committees of listed companies.	The Audit Committee Charter was revised to comply with the requirements of applicable regulation.

D. REMUNERATION MATTERS

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	The remuneration of the Company's top executives is determined based on achievement of corporate targets and their individual performance and contribution. The Company is committed to ensuring retention of top caliber talents for its critical positions, as such, the executives' remuneration is also anchored on movements in the labor market and industry, validated by a third party consultant through an annual total rewards survey.	The remuneration of the Company's top executives is determined based on achievement of corporate targets and their individual performance and contribution. The Company is committed to ensuring retention of top caliber talents for its critical positions, as such, the executives' remuneration is also anchored on movements in the labor market and industry, validated by a third party consultant through an annual total rewards survey.

(2) Variable remuneration	A variable pay package is also part and parcel of the executives' total compensation package that aims to provide contingent financial incentives to achieve the Company's annual business goals and objectives. It is designed to encourage and reward superior performance, achievements and behavior based on pre-established goals and objectives.	A variable pay package is also part and parcel of the executives' total compensation package that aims to provide contingent financial incentives to achieve the Company's annual business goals and objectives. It is designed to encourage and reward superior performance, achievements and behavior based on pre-established goals and objectives.
(3) Per diem allowance	None.	None.
(4) Bonus	Same as variable pay above-discussed.	Same as variable pay above-discussed.
(5) Stock Options and other financial instruments	None.	None.
(6) Others (specify)	None.	None.

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	It is the policy of the Company, as set out in its CG Manual, to ensure, through the Compensation Committee, that the salaries and other remuneration of directors are set at a level adequate to attract and retain directors and officers with the qualifications and experience needed to manage the Company.	Executive directors receive fixed and variable remuneration consistent with the policy of the Company to set such remuneration at a level adequate to attract and retain executive directors with the qualifications and experience needed to manage the Company.	The compensation is based on achievement of corporate targets and individual performance and contribution.

Non-Executive Directors	It is the policy of the Company, as set out in its CG Manual, to ensure, through the Compensation Committee, that the salaries and other remuneration of directors are set at a level adequate to attract and retain directors and officers with the qualifications and experience needed by the Company.	Non-executive directors receive such amount as is adequate to attract and retain directors with the qualifications and experience needed by the Company.	The amounts received by non-executive directors are set at an amount as is adequate to attract and retain directors with the qualifications and experience needed by the Company.
-------------------------	---	--	---

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

There have been no changes to the remunerations scheme of the directors for the last three (3) years.

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	P41.02M	P4.6M	P0.8M
(b) Variable Remuneration	15.12	N/A	N/A
(c) Per diem Allowance	N/A	P5.8M	P1.1M
(d) Bonuses	P6.34M	N/A	N/A
(e) Stock Options and/or other financial instruments	N/A	N/A	N/A
(f) Others (Specify)	N/A	N/A	N/A
Total	P62.48M	P10.4M	P1.9M

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	N/A	N/A	N/A
2) Credit granted	N/A	N/A	N/A
3) Pension Plan/s Contributions	N/A	N/A	N/A
(d) Pension Plans, Obligations incurred	N/A	N/A	N/A
(e) Life Insurance Premium	N/A	N/A	N/A
(f) Hospitalization Plan	P33M	N/A	N/A
(g) Car Plan	P6M	N/A	N/A
(h) Others (Specify)	N/A	N/A	N/A
Total	P39M	N/A	N/A

4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock
None.				

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

Incentive Program	Amendments	Date of Stockholders' Approval
None.		

5) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

Name of Officer/Position	Total Remuneration
Lubin B. Nepomuceno – Senior Vice President and General Manager*	P75M
Emmanuel E. Eraña – Senior Vice President and Chief Finance Officer	
Efren P. Gabrillo – Assistant Vice President, Controllers & Controller	
Freddie P. Yumang – Vice President, Refinery	
Susan Y. Yu – Vice President, Procurement	

* Elected as President on February 19, 2013 as disclosed to the SEC through an SEC Form 17-C filed on February 20, 2013.

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Executive	3	0	0	Without	Under the By-laws and the CG Manual, the Executive Committee shall have and may exercise the powers of the Board when the Board is not in session in respect of the management of the business and affairs of the Company, except with respect to: (1) the approval of any action for which stockholders' approval is also required; (2) the filling of vacancies	The Executive Committee is responsible for the management of the business and affairs of the Company when the Board is not in session.	Under the By-laws and the CG Manual, the Executive Committee shall have and may exercise the powers of the Board when the Board is not in session in respect of the management of the business and affairs of the Company, except with respect to: (1) the approval of any action for which stockholders' approval is also required; (2) the filling of vacancies in the Board; (3) the amendment or repeal of B-laws or the adoption of new

					in the Board; (3) the amendment or repeal of B-laws or the adoption of new by-laws; (4) the amendment or repeal of any resolution of the Board which by its express terms is not so amendable or repealable; (5) a distribution of cash dividends to the stockholders; and (6) such other matters specifically excluded or limited by the Board.		by-laws; (4) the amendment or repeal of any resolution of the Board which by its express terms is not so amendable or repealable; (5) a distribution of cash dividends to the stockholders; and (6) such other matters specifically excluded or limited by the Board.
Audit	0	3	2	With	Under the CG Manual and the Audit Committee Charter, the Audit Committee assists the Board in fulfilling its oversight responsibility of the Company's corporate governance processes relating to the (i) quality and integrity of the Company's financial statements and financial reporting process and the Company's systems of internal accounting and financial controls; (ii) performance of the internal auditors; (iii) annual independent audit of the Company's financial statements, the	Under its charter, the Audit Committee will carry out the following duties and responsibilities: I. Financial Statement and Disclosure Matters • Reviews all financial statements against their compliance with pertinent accounting standards, internal financial management, as well as tax, legal and other regulatory requirements	Under the Audit Committee Charter, the Audit Committee is empowered to (i) select and recommend the appointment or replacement of the external auditors to the Board; (ii) approve all auditing and non-audit services to be provided by and all fees to be paid to the external auditors; (iii) resolve any disagreements between Management and the auditor regarding financial reporting; (iv) seek any information it requires from employees all of whom are directed to cooperate with the committee's requests; (v) meet

				<p>engagement of the independent auditors and the evaluation of the independent auditors' qualifications, independence and performance; (iv) compliance by the Company with legal and regulatory requirements, including the Company's disclosure controls and procedures; and (v) evaluation of Management's process to assess and manage the Company's enterprise risk issues.</p>	<ul style="list-style-type: none"> • Reviews with management and the external auditors the results of the audit, including any difficulties encountered and issues warranting the attention of the Audit Committee. • Reviews with management, internal auditors and the external auditors all matters required to be communicated to the Audit Committee under generally accepted auditing standards. <p>II. Performance of the Internal Controls</p> <ul style="list-style-type: none"> • Considers the effectiveness of the Company's internal control system, including information technology security • Understands the scope of internal and 	<p>with company officers, external auditors or outside counsel, as necessary; (vi) conduct and authorize investigations into any matter within the committee's scope of responsibilities</p>
--	--	--	--	--	---	--

						<p>external auditor's review of internal controls over financial reporting and obtain reports on significant findings and recommendations, together with Management's response</p> <p>III. Internal Audit Function</p> <ul style="list-style-type: none"> • Reviews with Management and the head of Internal Audit the charter, activities, and organizational structure of the internal audit function • Confirms the appointment or replacement by management of the head of the Internal Audit organization 	
--	--	--	--	--	--	--	--

						<ul style="list-style-type: none"> • Reviews and confirms the annual audit and strategic plans prepared by Internal Audit in consultation with Management, and major changes to the plans, if any • Reviews significant findings and Management's response including timetable for implementation to correct weaknesses; and any difficulties encountered by the auditors in the course of their audit (such as restrictions on the scope or access to information) • Supports the internal audit function and provides high-level follow-up of audit recommendations when such action is needed 	
--	--	--	--	--	--	---	--

						<ul style="list-style-type: none"> • Reviews the effectiveness of the internal audit function, including compliance with the Standards for the Professional Practice of Internal Auditing <p>IV. External Auditor's Qualifications, Independence and Performance</p> <ul style="list-style-type: none"> • Reviews and evaluates, at least annually, the performance of the external auditors (including lead partner) and makes recommendations to the Board of Directors each year with respect to the appointment of the External Auditor • Reviews the external auditor's proposed audit scope and 	
--	--	--	--	--	--	--	--

						<p>approach, including coordination effort with internal audit</p> <ul style="list-style-type: none"> • Reviews and confirms the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the Company, including non-audit services and discusses the relationship with the auditors • Meets with the external auditors to discuss matters that the Audit Committee or internal audit believes should be deliberated privately. <p>V. Compliance with Legal and Regulatory Requirements</p> <ul style="list-style-type: none"> • Ascertains whether the Company 	
--	--	--	--	--	--	---	--

						<p>has an effective process for determining risks and exposure from litigation and claims from non-compliance with laws and regulations</p> <ul style="list-style-type: none"> • Reviews the results of Management's investigation and follows up on any instance of non-compliance (including disciplinary action) • Reviews findings resulting from examination by regulatory agencies as well as internal and external audits, if any <p>VI. Reporting</p> <ul style="list-style-type: none"> • Reports regularly to the Board about Audit Committee activities, issues and related recommendations 	
--	--	--	--	--	--	---	--

						<ul style="list-style-type: none"> • Provides open avenue of communication between internal audit, the external auditors, and the Board • Provides reports required by SEC to be included in the Company's annual report, including approval of other audit services • Reviews any other reports the Company issues that relate to Audit Committee responsibilities • Reviews a report of the Compliance Officer, if any, concerning employee and director conflicts of interest/compliance with the Company's conflict of interest program; and receives updates, as appropriate 	
--	--	--	--	--	--	---	--

						<p>VII. Other Responsibilities</p> <ul style="list-style-type: none"> • Institutes and oversees special investigations as needed • Confirms annually that all responsibilities outlined in the charter have been carried out • Conducts annual evaluation of the Audit Committee's performance and reports the results to the Board • Assesses the adequacy of its charter annually or as conditions dictate • Undergoes continuous training and education needed for the effective performance of assigned responsibilities • Performs other activities related to 	
--	--	--	--	--	--	---	--

						the charter of the committee as requested by the Board without interference or censorship by Management	
Nomination	1	1	1	Without (until May 6, 2013)	Under the CG Manual, the Nomination Committee has functions of (i) pre-screening and shortlisting candidates nominated to become members of the Board and other appointments that require Board approval; (ii) in consultation with the appropriate executive or Management committee/s and with the supervision of the Board, redefining the role, duties and responsibilities of the CEO; and (iii) assessing the effectiveness of the Board's processes and procedures in the election or replacement of directors.	Under the CG Manual, the Nomination Committee is responsible for reviewing the qualifications and the disqualifications of candidates nominated to become directors or officers. It is also tasked to redefine the role, duties and responsibilities of the CEO and review the process for the election or replacement of directors.	It has the power to disqualify a candidate for election as director or officer who does not possess any of the required qualifications for election as such or who possesses any of the disqualifications.
Remuneration	2	2	1	Without (until May 6, 2013)	Under the CG Manual, the Compensation Committee has the function of considering and approving (i) salary	Under the CG Manual, the Compensation Committee is tasked to consider and approve the	The Remuneration Committee has the power to fix salary structures of relevant officers, set compensation policies and propose

					structures and modifications thereto for individuals in the positions of Vice President, or its equivalent, and above; (ii) promotions to positions of Division Head and the salary increases to be granted concurrently with such promotions; and (iii) other compensation policy matters such as the adoption, modification and interpretation of corporate benefit plans.	salary structures for the positions of Vice President, or its equivalent, and above, the promotions to positions of Division Head and the salary increases to be granted concurrently with such promotions and other compensation policy matters such as the adoption, modification and interpretation of corporate benefit plans.	the promotion of officers.
Others (specify)	N/A						

Committee Members

(a) Executive Committee*

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee (in years)
Chairman	Ramon S. Ang	February 27, 2009	10	10	100	3.84
Member (ED)	Eric O. Recto**	November 7, 2008	10	10	100	4.15
Member (NED)	Roberto V. Ongpin	May 12, 2009	10	10	100	3.64

*At the organizational meeting held on May 21, 2013, the following were elected as members of the Executive Committee: Mr. Ramon S. Ang, Mr. Lubin B. Nepomuceno and Mr. Roberto V. Ongpin and as alternate members: Ms. Aurora T. Calderon and Mr. Eric O. Recto, as disclosed to the SEC through an SEC Form 17-C filed on May 22, 2013.

**Mr. Eric O. Recto was replaced by Mr. Lubin B. Nepomuceno as a member of the Executive Committee on February 19, 2013 as disclosed to the SEC through an SEC Form 17-C filed on February 20, 2013.

(b) Audit Committee*

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee (in years)
Chairman (ID)	Reynaldo G. David	May 12, 2009	4	4	100	3.64
Member (NED)	Estelito P. Mendoza	February 27, 2009	4	4	100	3.84
Member (NED)	Aurora T. Calderon	July 12, 2010	4	4	100	2.47
Member (NED)	Ferdinand K. Constantino**	July 12, 2010	4	4	100	2.47
Member (ID)	Artemio V. Panganiban	December 1, 2010	4	4	100	2.08

*At the organizational meeting held on May 21, 2013, the following were elected as members of the Audit Committee: Mr. Reynaldo G. David, Atty. Estelito P. Mendoza, Mr. Lubin B. Nepomuceno, Mr. Artemio V. Panganiban and Ms. Aurora T. Calderon, and as advisor: Mr. Ferdinand K. Constantino, as disclosed to the SEC through an SEC Form 17-C filed on May 22, 2013.

**Mr. Ferdinand K. Constantino resigned as a member of, and was appointed as an advisor of, the Audit Committee on February 19, 2013 as disclosed to the SEC through an SEC Form 17-C on February 20, 2013.

Disclose the profile or qualifications of the Audit Committee members.

Chairman

Reynaldo G. David, Filipino, 70 years old, has served as an Independent Director of the Company since May 12, 2009. He is also the Chairman of the Nomination Committee and a member of the Compensation Committee. He has previously held among others, the following positions: President and Chief Executive Officer of the Development Bank of the Philippines; Chairman of NDC Maritime Leasing Corporation; and Director of DBP Data Center, Inc. and Al-Amanah Islamic Bank of the Philippines. Other past positions include: Independent director of ISM and ATOK, Chairman of LGU Guarantee Corporation, Vice Chairman, Chief Executive Officer and Executive Committee Chairman of Export and Industry Bank (September 1997-September 2004), Director and Chief Executive Officer of Unicorp Finance Limited and Consultant of PT United City Bank (concurrently held from 1993-1997), Director of Megalink Inc., Vice President and FX Manager of the Bank of Hawaii (April 1984-August 1986), various directorships and/or executive positions with The Pratt Group (September 1986-December 1992), President and Chief Operating Officer of Producers Bank of the Philippines (October 1982-November 1983), President and Chief Operation Officer of International Corporation Bank (March 1979-September 1982), and Vice President and Treasurer of Citibank N. A. (November 1964-February 1979). A TOYM Awardee for Offshore Banking in 1977, he was also awarded by the Association of Development Financing Institutions in Asia & the Pacific as the Outstanding Chief Executive Officer in 2007. A certified public accountant since 1964, he graduated from the De La Salle University with a Liberal Arts degree in Commerce in 1963 and has attended the Advance Management Program of the University of Hawaii (1974). He was conferred with the title Doctor of Laws, *honoris causa*, by the Palawan State University in 2005.

Members

Estelito P. Mendoza, Filipino, 83 years old, has served as a Director of the Company since January 8, 2009. He is also a member of the Nomination Committee. He holds the following positions, among others: Head of Estelito P. Mendoza and Associates; and Director of San Miguel Corporation ("SMC"), Manila Electric Company ("MERALCO"), Philippine National Bank ("PNB") and Philippine Airlines, Inc. ("PAL"). Mr. Mendoza was formerly the Philippine Solicitor General (1972-1986), Philippine Minister of Justice (1984-1986), Member

of the Philippine Batasang Pambansa (1984-1986) and Governor of Pampanga Province (1980-1986). He also served as the Chairman of Dutch Boy Philippines, Inc., Alcorn Petroleum and Minerals Corporation, the Sixth (Legal) Committee, 31st Session of the UN General Assembly and the Special Committee on the Charter of the United Nations and the Strengthening of the Role of the Organization, and a Director of East West Bank. He was also a Professional Lecturer of law at the University of the Philippines. Atty. Mendoza took his pre-law course and Bachelor of Laws degree at the University of the Philippines. He also holds a Master of Laws degree from the Harvard Law School.

Aurora T. Calderon, Filipino, 58 years old, has served as a Director of the Company since August 13, 2010. She is also a member of the Compensation Committee. She holds the following positions, among others: Senior Vice President and Senior Executive Assistant to the President and Chief Operating Officer of SMC; Director of Petron Malaysia Refining & Marketing Bhd, Petron Oil & Gas Mauritius Ltd., Petron Oil & Gas International Sdn Bhd, Petron Marketing Corporation, Petron Freeport Corporation, SEA Refinery Corporation, New Ventures Realty Corporation, Las Lucas Construction and Development Corporation, Thai San Miguel Liquor Co., Ltd., SMC Global Power Holdings Corp., Rapid Thoroughfares Inc., Trans Aire Development Holdings Corp., Vega Telecom, Inc., Bell Telecommunications Company, Inc., A.G.N. Philippines, Inc. and various subsidiaries of SMC; and Treasurer of Top Frontier Investment Holdings Inc. She has served as a Director of MERALCO (January 2009-May 2009), Senior Vice President of Guoco Holdings (1994-1998), Chief Financial Officer and Assistant to the President of PICOP Resources (1990-1998) and Assistant to the President and Strategic Planning at the Elizalde Group (1981-1989). A certified public accountant, Ms. Calderon graduated *magna cum laude* from the University of the East in 1973 with a degree in Business Administration major in Accounting and earned her Master's degree in Business Administration from the Ateneo de Manila University in 1980. She is a member of the Financial Executives and the Philippine Institute of Certified Public Accountants.

Ferdinand K. Constantino, Filipino, 61 years old, served as a non-executive director of the Company from August 13, 2010 (until February 19, 2013). He has been a director of SMC since 2010 and the Senior Vice President/Chief Finance Officer and Treasurer of SMC since 2001. He holds directorships in San Miguel Brewery Inc., San Miguel Yamamura Packaging Corporation, SMC Global Power Holdings Corp., Top Frontier Investment Holdings Inc., and GSMI and is the President of Anchor Insurance Brokerage Corporation. Mr. Constantino previously served as Chief Finance Officer and Treasurer of SMB, (2007-2009) and San Miguel Beer Division (1999-2005); Comptroller of SMC (1997-1999); Finance Director of San Miguel Brewing Group (1994-1997); and Chief Finance Officer of MERALCO (2009). He has held directorships in various subsidiaries of SMC, local and offshore, during the last five (5) years. He holds a Bachelor of Arts degree in Economics from the University of the Philippines and took graduate courses in Economics and Business from the same university.

Artemio V. Panganiban, Filipino, 76 years old, has served as an Independent Director of the Company since October 21, 2010. He holds the following positions, among others: Independent Director of MERALCO, Bank of the Philippine Islands, First Philippine Holdings Corp., Metro Pacific Investment Corp., Metro Pacific Tollways Corp., Robinsons Land Corp., GMA Network, Inc., GMA Holdings, Inc. and Asian Terminals, Inc.; Director of Jollibee Foods Corporation; columnist for the Philippine Daily Inquirer; and officer, adviser or consultant to several business, civic, educational and religious organizations. Mr. Panganiban was formerly the Chief Justice of the Philippine Supreme Court (2005-2006); Associate Justice of the Philippine Supreme Court (1995-2005); Chairperson of the Philippine House of Representatives Electoral Tribunal (2004-2005); Senior Partner of Panganiban Benitez Parlade Africa & Barinaga Law Office (1963-1995); President of Baron Travel Corporation (1967-1993); and professor at the Far Eastern University, Assumption Convent and San Sebastian College (1961-1970). He is an author of several books and has received various awards for his numerous accomplishments, most notably the "Renaissance Jurist of the 21st Century" conferred by the Supreme Court in 2006 and the "Outstanding Manilan" for 1991 by the City of Manila. Justice Panganiban earned his Bachelor of Laws degree, *cum laude*, from the Far Eastern University in 1960 and placed sixth in the bar exam that same year.

Describe the Audit Committee's responsibility relative to the external auditor.

Under the CG Manual and its charter, the Audit Committee exercises oversight responsibility over the annual independent audit of the Company's financial statements, the engagement of the independent auditors and the evaluation of the external auditors' qualifications, independence and performance. The Audit Committee, thus, selects and recommends the appointment or replacement of the external auditors to the Board, approves all auditing and non-audit services to be provided by and all fees to be paid to the external auditors, resolves any disagreements between Management and the auditor regarding financial reporting and meets with the external auditors, as necessary. In the determination of the qualification of the external auditor, the Audit Committee also ensures that the signing partner of the external auditor assigned to the Company is changed or rotated every five (5) years or as required under applicable laws and regulations.

(c) Nomination Committee*

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee (in years)
Chairman (ID)	Reynaldo G. David	May 12, 2009	2	2	100	3.64
Member (ED)	Eric O. Recto**	July 31, 2008	2	2	100	4.42
Member (NED)	Estelito P. Mendoza	February 27, 2009	2	2	100	3.84

*At the organizational meeting held on May 21, 2013, the following were elected as members of the Nominations Committee: Mr. Reynaldo G. David, Atty. Estelito P. Mendoza, and Atty. Virgilio S. Jacinto as disclosed to the SEC through an SEC Form 17-C filed on May 22, 2013.

**Mr. Eric O. Recto resigned as a member of the Nomination Committee on February 19, 2013 as disclosed to the SEC through an SEC Form 17-C filed on February 20, 2013.

(d) Remuneration Committee*

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee (in years)
Chairman	Ramon S. Ang (non-voting)	February 27, 2009	0	0	0	3.84
Member (ED)	Eric O. Recto (non-voting)**	July 31, 2008	0	0	0	4.42
Member (NED)	Roberto V. Ongpin	May 12, 2009	0	0	0	3.64
Member (NED)	Aurora T. Calderon	July 12, 2010	0	0	0	2.47
Member (ID)	Reynaldo G. David	May 12, 2009	0	0	0	3.64

*At the organizational meeting held on May 21, 2013, the following were elected as members of the Remuneration Committee: Ramon S. Ang, Lubin B. Nepomuceno, Roberto V. Ongpin, Reynaldo G. David, and Aurora T. Calderon, and as advisor: Mr. Ferdinand K. Constantino as disclosed to the SEC through an SEC Form 17-C filed on May 22, 2013.

**Mr. Eric O. Recto resigned as a member of the Remuneration Committee on February 19, 2013 as disclosed to the SEC through an SEC Form 17-C filed on February 20, 2013.

(e) Others (Specify)

Provide the same information on all other committees constituted by the Board of Directors:

The Company has no other committee.

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	N/A					
Member (ED)	N/A					
Member (NED)	N/A					
Member (ID)	N/A					
Member	N/A					

2) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

There was no change in committee membership in 2012.

Name of Committee	Name	Reason
Executive	N/A	
Audit	N/A	
Nomination	N/A	
Remuneration	N/A	
Others (specify)	N/A	

3) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Executive	The Executive Committee had 10 meetings in 2012 and approved corporate actions requiring board approval in between sessions of the Board.	The Executive Committee reviewed and assessed, and approved, if thought fit, proposed corporate actions requiring board approval in between sessions of the Board.
Audit	The Audit Committee had five (5) meetings in 2012. As reported in the Information Statement for the 2013 annual stockholders' meeting and the annual report (SEC Form 17-A) for 2012, the Audit Committee accomplished the following in 2012: (i) review of the quarterly and annual financial statements of the Company and endorsement of the	There were no significant issues noted that had a material effect on the Company's financial statements and its operations. The work reported to have been done by the Audit Committee was in compliance with the scope of its mandate.

	same for Board approval, (ii) endorsement of Manabat Sanagaustin & Co., CPAs as the Company's external auditor for 2012, (iii) review with Manabat Sanagaustin & Co., CPAs of the scope and timing of their annual audit plan audit methodology and focus areas in relation to their review of the financial statements, (iv) review with Manabat Sanagaustin & Co., CPAs the audit observations and recommendations of the Company's internal audit controls and Management's response to issues raised, (v) review with the Internal Audit Head and approval of the annual internal audit plan; and (vi) reviewed on a quarterly basis the report of the Internal Audit Department on the adequacy and effectiveness of the internal and control environment in the areas covered during the covered period.	
Nomination	The Nomination Committee held two (2) meetings in 2012. The meetings were held to pre-screen and short-list candidates for the election of the directors and the appointment of officers of the Company.	No particular work was needed to be done by the Nomination Committee to address any significant issue that required resolution. The work done by the Nomination Committee was in pursuance of its regular functions of qualifying nominees to be elected as directors and/or officers of the Company.
Remuneration	The Nomination Committee did not hold any meeting in 2012.	No particular work was needed to be done by the Remuneration Committee to address any significant issue that required resolution.
Others (specify)	None.	None.

4) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
Executive	Continued availability to approve corporate actions requiring board action in between sessions of the Board	This will ensure that the necessary corporate approvals are timely obtained to pursue transactions requiring such approvals during the period in between sessions of the Board.

Audit	<p>1. Review of manpower complement of terminal and depots.</p> <p>2. Supply and Operations' Back-to-Basics Program for the continuous review of the depot/terminal's processes and procedures</p> <p>3. Continuous communication of Company's Policy on Internal Control.</p>	<p>1. This program will address the recurring minor audit findings by determining and putting the right number and skill sets of personnel manning these facilities.</p> <p>2. The objective of this program is to ensure adequate controls and standardize and update systems and procedure vital to the accomplishment of the depots/terminals' business objectives.</p> <p>3. This is intended to continuously educate the employees on the importance of internal control systems and procedures for the attainment of their respective business objectives.</p>
Nomination	Adopt the Nomination Committee Charter	<p>This charter will set out the roles, responsibilities, and authority of the Nomination Committee, including the rules of procedures that will guide the function of the committee.</p> <p>(The Nomination Committee Charter was adopted by the Board on May 6, 2013 as disclosed to the SEC through an SEC Form 17-C filed on May 9, 2013).</p>
Remuneration	Adopt the Compensation Committee Charter	<p>This charter will set out the roles, responsibilities, and authority of the Compensation Committee, including the rules of procedures that will guide the function of the committee.</p> <p>(The Compensation Committee Charter was adopted by the Board on May 6, 2013 as disclosed to the SEC through an SEC Form 17-C filed on May 9, 2013).</p>
Others (specify)	None.	None.

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

Under the Corporate Policy Manual, Management recognizes that the Company faces risks that have consequential losses. For this reason, the Company has adopted the policy of having a risk management program consistent with its corporate objectives as well as its financial resources. As disclosed in the Definitive Information Statement and the annual report (SEC Form 17-A), Petron follows an enterprise-wide risk management framework for identifying, mapping and addressing the risk factors that affect or may affect its businesses.

The Company's risk management process is a bottom-up approach, with each division mandated to conduct regular assessment of its risk profile and formulate action plans for managing identified risks. As Petron's operation is an integrated value chain, risks emanate from every process and some can cut across divisions. The results of these activities flow up to the Management Committee and eventually the Board through the Company's annual business planning process.

Oversight and technical assistance is likewise provided by corporate units and subsidiaries with special duties. The Risk and Insurance Management Group is mandated with the overall coordination and development of the enterprise-wide risk management process. The Financial Risk Management Unit of the Treasurers Department is in charge of foreign exchange hedging transactions. The Transaction Management Unit of the Controller's Department provides backroom support for all financial transactions. The Corporate Technical & Engineering Services Group oversees compliance with the domestic and international standards set for health, safety and environment. The Internal Audit Department is tasked with the implementation of a risk-based auditing. Petron Singapore Trading Pte. Ltd. executes the hedging transactions involving crude and product imports on behalf of the Company.

(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

The regular assessment by each division of its risk profile and its formulation of action plans for managing identified risks are eventually reported to the Management Committee which, in turn, brings the same for the approval by the Board through the presentation and approval of the annual business plan.

The Audit Committee of the Board, in its audit report for each year, states whether it has conducted a review of the report of the Internal Audit Department on the adequacy and effectiveness of the internal and control environment of the Company. The Audit Committee issued its audit report for 2012, a copy of which appears in the 2012 annual report (SEC Form 17-A) and the Definitive Information Statement for the 2013 annual stockholders' meeting, which states that the committee has reviewed on a quarterly basis the report of the Internal Audit Department on the adequacy and effectiveness of the internal and control environment in the areas covered during the covered period.

(c) Period covered by the review;

The period covered is 2012.

(d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and

The Audit Committee of the Board, in its audit report for each year, states whether it has conducted a review of the report of the Internal Audit Department on the adequacy and effectiveness of the internal and control environment of the Company. The Audit Committee issued its audit report for 2012, a copy of which appears

in the 2012 annual report (SEC Form 17-A) and the Definitive Information Statement for the 2013 annual stockholders' meeting, which states that the committee has reviewed on a quarterly basis the report of the Internal Audit Department on the adequacy and effectiveness of the internal and control environment in the areas covered during the covered period.

(e) Where no review was conducted during the year, an explanation why not.

Not applicable.

2) Risk Policy

(a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

The major risks of the Company are set out in the Definitive Information Statement and the SEC Form 17-A of the Company. The list below does not represent a ranking in the order of priority but covers the risks identified by the Company using a matrix of risks measurement based on probability and quantified amount (in Php) of possible adverse effect on its finances.

Risk Exposure	Risk Management Policy	Objective
Foreign exchange risk	<ol style="list-style-type: none"> Hedging of dollar-denominated liabilities using forwards and other derivative instruments and generation of dollar-denominated sales; currency hedging, by policy, is limited to the extent of 100% of the underlying exposure. Daily recording of dollar-denominated assets and liabilities and the resulting potential foreign exchange losses through software that monitors financial transactions under the Company's enterprise resource planning system 	<ol style="list-style-type: none"> Hedging allows the Company to manage its currency exposure. The monitoring of foreign exchange risk allows real-time awareness and response to contain losses posed by foreign exchange exposure. Such software is also capable of tracking risk exposures arising from other market sensitive financial variables, such as interest rates and commodity prices.
Risk of operational disruptions	Implementation of a corporate-wide health, safety and environment ("HSE") program and effective maintenance practices and the inculcation of a culture of continuous process improvement	The HSE program involves extensive employee training and management and monitoring systems that help achieve a dual purpose: (i) for the employees and other stakeholders, a safe environment and (ii) for the Company, substantive manhours without lost time accident.
Profit margin and cash flow risk	Use of (i) margin hedging strategies for some US dollar-	The policy allows the Company to eliminate the risk of profit margin

	based contracts, (ii) long-term contracts for some of its fuel and petrochemical products whenever these are financially attractive, and (iii) a cash flow projection software	compression due to changes in crude and product prices with a margin hedge simultaneously fixing the future dollar prices of Dubai crude oil and that of a selected product (contracted to be sold at the future date) manufactured from the crude. Long-term sales contracts provide a partial hedge on future cash flow uncertainty. The cash flow projection software enables the Company to proactively respond to potential future cash flow imbalances and maintain access to credit lines in excess of typical requirements so that funds can be readily tapped in case of a cash flow squeeze.
Regulatory risk	Compliance with applicable laws and regulations and active involvement in stakeholder consultation with government regulatory agencies and relevant stakeholder groups	Compliance with applicable law and regulation ensures that no legal actions are filed against, and no substantive fines or non-monetary sanctions are imposed on, the Company. Working closely with stakeholders in the oil and energy industry helps facilitate the mutual understanding of laws and the development of strategic initiatives for the oil and energy sector that, in turn, result in the twin goals of industry leadership and nation-building.

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

The major risks of the Company and its group are set out in the Definitive Information Statement and the SEC Form 17-A of the Company. The list below does not represent a ranking in the order of priority but covers the risks identified by the Company using a matrix of risks measurement based on probability and quantified amount (in Php) of possible adverse effect on its finances.

Risk Exposure	Risk Management Policy	Objective
Foreign exchange risk	<ol style="list-style-type: none"> Hedging of dollar-denominated liabilities using forwards and other derivative instruments and generation of dollar-denominated sales; currency hedging, by policy, is limited to the extent of 100% of the underlying exposure. Daily recording of dollar-denominated assets and 	<ol style="list-style-type: none"> Hedging allows the Company to manage its currency exposure. The monitoring of foreign exchange risk allows real-time awareness and

	liabilities and the resulting potential foreign exchange losses through software that monitors financial transactions under the Company's enterprise resource planning system	response to contain losses posed by foreign exchange exposure. Such software is also capable of tracking risk exposures arising from other market sensitive financial variables, such as interest rates and commodity prices.
Risk of operational disruptions	Implementation of a corporate-wide HSE program and effective maintenance practices and the inculcation of a culture of continuous process improvement	The HSE program involves extensive employee training and management and monitoring systems that help achieve a dual purpose: (i) for the employees and other stakeholders, a safe environment and (ii) for the Company, substantive manhours without lost time accident.
Profit margin and cash flow risk	Use of (i) margin hedging strategies for some US dollar-based contracts, (ii) long-term contracts for some of its fuel and petrochemical products whenever these are financially attractive, and (iii) a cash flow projection software	The policy allows the Company to eliminate the risk of profit margin compression due to changes in crude and product prices with a margin hedge simultaneously fixing the future dollar prices of Dubai crude oil and that of a selected product (contracted to be sold at the future date) manufactured from the crude. Long-term sales contracts provide a partial hedge on future cash flow uncertainty. The cash flow projection software enables the Company to proactively respond to potential future cash flow imbalances and maintain access to credit lines in excess of typical requirements so that funds can be readily tapped in case of a cash flow squeeze.
Regulatory risk	Compliance with applicable laws and regulations and active involvement in stakeholder consultation with government regulatory agencies and relevant stakeholder groups	Compliance with applicable law and regulation ensures that no legal actions are filed against, and no substantive fines or non-monetary sanctions are imposed on, the Company. Working closely with stakeholders in the oil and energy industry helps facilitate the mutual understanding of laws and the development of strategic initiatives for the oil and energy sector that, in turn, result in the twin goals of industry leadership and nation-building.

(c) **Minority Shareholders**

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to Minority Shareholders
Inherent in the one-share-one-vote policy set out in Philippine laws is the risk that minority stockholders may generally be unable to prevent the approval of any resolution requiring stockholders' approval that is proposed and voted in the affirmative by the majority stockholders.

3) **Control System Set Up**

(a) **Company**

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Key risks	Bottom up approach with each division conducting a regular self-assessment of its risk profile	<p>Petron follows an enterprise-wide risk management framework for identifying, mapping and addressing the risk factors that affect or may affect its businesses.</p> <p>The Company's risk management process is a bottom-up approach, with each division mandated to conduct regular assessment of its risk profile and formulate action plans for managing identified risks. As Petron's operation is an integrated value chain, risks emanate from every process and some can cut across divisions. The results of these activities flow up to the Management Committee and eventually the Board of Directors through the Company's annual business planning process.</p> <p>Oversight and technical assistance is likewise provided by corporate units with special duties. The Risk and Insurance Management Group is mandated with the overall coordination and development of the enterprise-wide risk management process. The Financial Risk Management Unit of the Treasurers Department is in charge of foreign exchange hedging transactions. The Transaction Management Unit of the Controller's Department provides backroom support for all financial transactions. The Corporate Technical & Engineering Services Group oversees compliance with the domestic and international standards set for health, safety and environment. The Internal</p>

		Audit Department is tasked with the implementation of a risk-based auditing. Petron Singapore Trading Pte Ltd executes the hedging transactions involving crude and product imports on behalf of the Company.
--	--	---

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Key risks	Bottom up approach with each division conducting a regular self-assessment of its risk profile	<p>Petron follows an enterprise-wide risk management framework for identifying, mapping and addressing the risk factors that affect or may affect its businesses.</p> <p>The Company's risk management process is a bottom-up approach, with each division mandated to conduct regular assessment of its risk profile and formulate action plans for managing identified risks. As Petron's operation is an integrated value chain, risks emanate from every process and some can cut across divisions. The results of these activities flow up to the Management Committee and eventually the Board of Directors through the Company's annual business planning process.</p> <p>Oversight and technical assistance is likewise provided by corporate units with special duties. The Risk and Insurance Management Group is mandated with the overall coordination and development of the enterprise-wide risk management process. The Financial Risk Management Unit of the Treasurers Department is in charge of foreign exchange hedging transactions. The Transaction Management Unit of the Controller's Department provides backroom support for all financial transactions. The Corporate Technical & Engineering Services Group oversees</p>

		compliance with the domestic and international standards set for health, safety and environment. The Internal Audit Department is tasked with the implementation of a risk-based auditing. Petron Singapore Trading Pte Ltd executes the hedging transactions involving crude and product imports on behalf of the Company.
--	--	---

(c) **Committee**

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Functions
Board of Directors	Review of the annual business plan and the effectiveness of the Company's internal control system	Reviews and evaluates the annual plan of the Company, which includes the report of the Management Committee on the risk profile of the Company and the proposed action plans; through the Audit Committee, considers the effectiveness of the Company's internal control system
Management Committee	Review of the report of the Risk and Insurance Management Group	Presents to the Board the risk profile of the Company and recommends action plans for managing identified risks
Internal Audit	Provision of independent evaluation	Undertakes independent regular audit reviews of the Company's internal control system to provide reasonable assurance that such systems are operating effectively
Corporate units and subsidiaries with special duties (Risk and Insurance Management Group, Financial Risk Management Unit of the Treasurers Department, Corporate Technical & Engineering Services Group and Petron Singapore Trading Pte. Ltd.)	Provision of technical assistance and coordination and	<ul style="list-style-type: none"> The Risk and Insurance Management Group provides the overall coordination and development of the enterprise-wide risk management process. The Financial Risk Management Unit of the Treasurers Department is in charge of foreign exchange hedging transactions.

		<ul style="list-style-type: none"> • The Transaction Management Unit of the Controller's Department provides backroom support for all financial transactions. • The Corporate Technical & Engineering Services Group oversees compliance with the domestic and international standards set for health, safety and environment. • Petron Singapore Trading Pte Ltd. executes hedging transactions involving crude and product imports on behalf of the Company.
Each division as risk owner	Self-assessment	Conducts a regular assessment of its risk profile and formulates action plans for managing identified risks

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

(a) Explain how the internal control system is defined for the company;

Petron is committed to ensuring the highest standard of corporate governance in its conduct of its business affairs and activities in pursuit of its goals and objectives. The Board and Management consider this as a vital part of its responsibilities and commitments to safeguard and enhance stakeholders' value.

To live up with this commitment, the Company, through its Board and Management, has developed a comprehensive internal control system designed not only to ensure efficient and effective management of its activities, so as to meet the organization's objectives, but also to create and support a strong system of corporate governance. This internal control system has strong management support, including the involvement of the Board and the Audit Committee, and is designed to manage the risks to which the Company is exposed to.

The internal control system of the Company encompasses the formulation of Company's vision and mission, objectives, strategic directions and thrusts, plans and programs, policies/guidelines/procedures, and management systems. The policies are the Code of Conduct and Ethical Policy Manual, which is considered as the foundation policy, the Corporate Policy Manual, the Good Governance Policy Manual, the Integrated Management Policy Manual, and the ISO Policy on Health, Safety & Environment Manual. A clear organizational structure with well defined duties and responsibilities, clear lines of accountability and delegation of authority for each level is part of the manuals. These series of policies, procedures and management systems are communicated to the Company's employees, contractors, vendors, customers and other concerned stakeholders, so that each has a clear understanding of the Company's expectations. Each

component of the internal control system is designed to achieve high standards of performance in the areas of safety, operations, financial results, internal control, risk management, good governance, internal and external legal and environmental regulatory compliance, and corporate social responsibility.

The Board and the Audit Committee ensure that these policies and management systems are updated and fully implemented and consistently enforced. They are supported by the Management team, various internal committees and the Internal Audit Department.

The Internal Audit Department undertakes independent regular audit reviews of the Company's internal control system to provide reasonable assurance that such systems are operating effectively. The internal audit process involves the audit of the all Company's facilities, core processes, and operations, and quarterly review with the Audit Committee of the audit results and status of the audit plan as well as the audit plan for the subsequent year. The internal audit group reports functionally to the Audit Committee. This structure provides independence for the internal audit group in carrying its audit function. The Corporate Technical and Engineering Services Group performs periodic technical and/or compliance audits on safety, health and environment, among others.

Weekly and monthly meetings are held at various levels of the organization (Management team meetings with the CEO and the President, Vice Presidents' meetings, managers' meetings and staff meetings) as part of the Company's monitoring system to ensure the each unit's respective business objectives are controlled and achieved.

(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;

The Audit Committee of the Board, in its audit report for each year, states whether it has conducted a review of the report of the Internal Audit Department on the adequacy and effectiveness of the internal and control environment of the Company. The Audit Committee issued its audit report for 2012, a copy of which appears in the 2012 annual report (SEC Form 17-A) and the Definitive Information Statement for the 2013 annual stockholders' meeting, which states that the committee has reviewed on a quarterly basis the report of the Internal Audit Department on the adequacy and effectiveness of the internal and control environment in the areas covered during the covered period.

(c) Period covered by the review;

2012.

(d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and

As above explained, the Audit Committee of the Board, in its audit report for each year, states whether it has conducted a review of the report of the Internal Audit Department on the adequacy and effectiveness of the internal and control environment of the Company. The Audit Committee issued its audit report for 2012, a copy of which appears in the 2012 annual report (SEC Form 17-A) and the Definitive Information Statement for the 2013 annual stockholders' meeting, which states that the committee has reviewed on a quarterly basis the report of the Internal Audit Department on the adequacy and effectiveness of the internal and control environment in the areas covered during the covered period.

(e) Where no review was conducted during the year, an explanation why not.

Not applicable.

2) Internal Audit

(a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
<p>The Internal Audit Department of the Company provides independent, objective assurance and consulting services designed to add value and improve the operations of the Company and its subsidiaries, and help the Petron Group accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.</p>	<p>The scope of work of the Internal Audit Department is to assist the Board and Management in determining whether the risk management, control, and governance processes within the Petron Group, as designed and represented by Management, are adequate and effective in a manner to ensure that:</p> <ul style="list-style-type: none"> • significant exposures to risks are appropriately identified and adequately managed; • significant financial, managerial, and operating information is accurate, reliable, and timely; • employees' and the Company's actions are in compliance with policies, standards, procedures, and applicable laws and regulations; • resources are acquired economically, used efficiently, and adequately 	In-house with outsourcing	Audit Head: Ronaldo T. Ferrer	<p>The Internal Audit Department reports functionally to the Audit Committee and administratively to the CFO to ensure and maintain the independence of internal audit function.</p> <p>The Internal Audit Department (i) conducts audit activities in accordance with the International Standards for the Professional Practice of Internal Auditing formulated by The Institute of Internal Auditors, (ii) conducts assurance services by evaluating and contributing to the improvement of risk management, internal control and governance systems, (iii) reports the results of review to concerned members of Management who are held responsible for insuring that corrective action is taken within a reasonable period</p>

	<p>protected;</p> <ul style="list-style-type: none"> • objectives and goals for operations or programs are achieved; and • effectiveness, efficiency and continuous improvement are promoted in the Company's operating systems and processes. 		<p>after a deficiency is reported, (iv) reports to the Audit Committee, the Chairman and the President the status of audit activities, major observations and recommendations, and all identified potential conflicts of interest, (v) submits annual audit plans to the Audit Committee and Management for their approval, and (vi) coordinates with the external auditor to ensure adequate audit coverage and to minimize duplicate efforts.</p>
--	--	--	---

(b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

Yes, all Internal Audit projects to be outsourced are approved by the Audit Committee. Any award to winning service provider/s is endorsed by the Internal Audit Head during the Audit Committee meeting for the members' approval.

(c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

Yes, the internal auditor has direct and unfettered access to the Board and the Audit Committee and to all records, properties and personnel of the Company. This is embodied in the CG Manual that requires the Audit Committee to perform oversight functions over both the Company's internal and external auditors to ensure that they act independently from each other or from interference of outside parties and that they are given unrestricted access to all records, properties and personnel necessary in the discharge of their respective audit functions.

The CG Manual also provides that the Internal Audit Department report functionally to the Audit Committee (and administratively to the CFO). Further, the Internal Audit Manager, the Controller and the external auditor are each authorized to report directly to the Audit Committee without interference or censorship by Management as to any and all matters which they believe fall within the jurisdiction or concern of the Audit Committee, including significant accounting, reporting and tax issues and irregularities, control deficiencies, and Management plans for corrective action.

In pursuit of the duties and responsibilities of the Audit Committee in respect of the internal auditor as provided in the Audit Committee Charter, the Audit Committee performed the following activities for the year 2012 to ensure the independence of the internal auditor through direct and unfettered access to the Board, as well as to Company records, properties and personnel in the conduct of internal audit function:

- establish and identify the reporting line of the head of internal auditor in order that the internal audit function may fulfill its responsibilities free from the interference of outside parties, with the head of the internal audit function functionally reporting directly to the Audit Committee;
- review and approve the internal audit work plans, including scope and audit resources/expenses and ensure that: (i) the scope of its examination includes evaluation of adequacy and effectiveness of controls on governance, operations, information systems, protection of assets and compliance with contracts and applicable, laws, rules and regulations and (ii) the internal auditor has the sufficient resources to carry out its functions;
- review the reports and communications of independent auditors, which shall include key findings and recommendations, internal control ratings and status of the audit plan including planned and completed audit engagements; and
- require the internal audit to submit a regular report to the Audit Committee and Management of its activities and performance relative to the audit plans and strategies approved by the Audit Committee, which shall include significant risk exposures, control issues and such other issues as may be requested by the Audit Committee.

(d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

Name of Audit Staff	Reason
Ma. Isabel L. Dyangko (with resignation effective August 10, 2012)	Resignation due to migration

(e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

Progress Against Plans	Completed the 2012 Annual Audit Plan
Issues¹¹	There were no significant issues noted that had a material effect on the Company's financial statements and its operations.
Findings¹²	There were no significant findings noted that had a material effect on the Company's financial statements and its operations. Findings in general though are documented in the 2012 quarterly Internal Audit Report to the Audit Committee
Examination Trends	Generally adequate and effective internal control

¹¹ "Issues" are compliance matters that arise from adopting different interpretations.

¹² "Findings" are those with concrete basis under the company's policies and rules.

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

- 1) Preparation of an audit plan inclusive of a timeline and milestones;
- 2) Conduct of examination based on the plan;
- 3) Evaluation of the progress in the implementation of the plan;
- 4) Documentation of issues and findings as a result of the examination;
- 5) Determination of the pervasive issues and findings (“examination trends”) based on single year result and/or year-to-year results;
- 6) Conduct of the foregoing procedures on a regular basis.]

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column “Implementation.”

Policies & Procedures	Implementation
Policies and Guidelines on Revenue Cycle	Generally in order
Policies and Guidelines on Procurement Cycle	Generally in order
Policies and Guidelines on Supply Chain – Logistics Cycle	Generally in order

(g) Mechanism and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company’s shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
The Audit Committee, through the functions and powers granted to it under the CG Manual and its charter, performs oversight functions over the Company’s internal and external auditors to ensure that they act independently from each other or from interference of outside parties, and that they are given unrestricted access to all records, properties and personnel necessary in the discharge of their respective audit functions.	The Company obtains the relevant board approvals for the engagement of financial analysts and the Company engages only reputable financial analysts with proven independence and expertise in their field of practice. Financial analysts form part of the public. They are not given non-public information concerning the Company until such information is disclosed by the Company to the public	The Company obtains the relevant board approvals for the engagement of investment banks and the Company engages only reputable investment banks with proven independence and expertise in their field of practice. Investment banks form part of the public. They are not given non-public information concerning the Company until such information is disclosed by the	The Company obtains the relevant board approvals for the engagement of rating agencies and the Company engages only reputable agencies with proven independence and expertise in their field of practice. Rating agencies form part of the public. They are not given non-public information concerning the Company until such information is disclosed by the

<p>The Audit Committee reviews and confirms the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the Company, including non-audit services, and discusses the relationship with the auditors.</p>	<p>in general. In the event a financial analyst is engaged by the Company for a particular transaction, such analyst is obliged to keep the transaction confidential until disclosed by the Company.</p>	<p>Company to the public in general. In the event an investment bank is engaged by the Company for a particular transaction, such bank is obliged to keep the transaction confidential until disclosed by the Company.</p>	<p>Company to the public in general. In the event a rating agency is engaged by the Company for a particular transaction, such agency is obliged to keep the transaction confidential until disclosed by the Company.</p>
--	--	--	---

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

It is the Compliance Officer of the Company who is mandated under the CG Manual to sign and submit the certification on the compliance with the CG Manual.

H. ROLE OF STAKEHOLDERS

1) Disclose the company's policy and activities relative to the following:

	Policy	Activities
<p>Customers' welfare</p>	<p>The Code of Conduct requires that Petron deal openly and honestly with its customers and that Petron is committed to supply goods and services of the highest quality standards backed by efficient after sales service consistent with the requirements of its customers to ensure their total satisfaction. The quality standards are required to at least meet the required national and applicable international standards.</p>	<p>Petron complies with all applicable laws and regulations in connection with the refining and marketing of its products.</p> <p>The Company's continued network expansion ensures the availability of the Company's products even in the most remote areas of the country. The improvement of existing service stations through various engineering and maintenance projects resulted in upgraded facilities. The installation of CCTV cameras in service stations was also commenced in 2012 in Metro Manila for the safety and protection of customers and service station personnel.</p>

		<p>Through its Research and Development team, the Company ensures the continuous enhancement of its products, services and processes to meet the requirements of the industry, delight customers and achieve competitive advantage. The Marketing Department endeavors to ensure the integrity of the Company's brands and the responsible product labeling and advertising of its products.</p> <p>Petron maintains its website and has a hotline number and an email address through which customers can relay their queries and complaints.</p>
Supplier/contractor selection practice	<p><u>Supplier Selection</u></p> <p>It is the policy of the Company, as embodied in the Corporate Policy Manual, that it deal only with licensed, reputable, reliable, competent and responsible suppliers who pass the pre-qualification requirements of the Company and, in order to ensure the availability of economical and superior materials, supplies and equipment, that it preferably deals with producers, manufacturers, exclusive or franchised distributors, direct importers and authorized dealers.</p> <p>The Corporate Policy Manual further requires the Company to give appropriate disciplinary measures to all erring suppliers in order to keep the integrity of the purchasing system and to maintain a pool of competent and dependable accredited suppliers.</p> <p><u>Contractor Selection</u></p> <p>It is the policy of the Company, also as embodied in the Corporate Policy Manual, that it deal only with licensed, reputable, reliable,</p>	<p><u>Supplier Selection</u></p> <p>The procedure for soliciting and evaluating offers from suppliers and the award for an order as set out in the Corporate Policy Manual is observed. Negotiations and/or spot crude procurement are alternatively resorted in accordance with the Corporate Policy Manual.</p> <p><u>Contractor Selection</u></p> <p>The Corporate Policy Manual sets the procedure for soliciting and evaluating offers from contractors and the award for the order and the circumstances when negotiations and/or modified bidding may be resorted to. Any activity requiring contractor selection will undergo such procedure.</p>

	<p>competent and financially sound contractors who pass the pre-qualification requirements of the Company in order to assure that only the most favorable services are secured by the Company.</p> <p>The Corporate Policy Manual also imposes appropriate disciplinary measures to all erring contractors to uphold the integrity of the Company's bidding system and maintain a pool of competent and dependable accredited contractors.</p>	
<p>Environmentally friendly value-chain</p>	<p>It is the Company's policy under its Corporate Policy Manual to promote and implement environmentally sound practices, taking into account government laws and regulations, the community's interest, consumer needs and technological innovations.</p> <p>It is part of the sustainability policy of the Company that sustaining its leadership in the local oil industry also means being at the forefront of sustainable development.</p>	<p>Affirming its commitment to environmental management, Petron established its Environmental Council in 2011 which is tasked to help spread awareness on new environmental regulations and standards and corporate policies.</p> <p>Petron's environmental management is integrated throughout the value chain. The Petron Bataan Refinery is currently implementing and maintaining an Integrated Management System ("IMS") composed of Quality Management System (ISO 9001:2008); Occupational Health and Safety Management System (OHSAS or ISO 18001:2007); Environmental Management System (ISO-14001:2004), certified and recertified since July, June and May 2009, respectively, up to present.</p> <p>Depot operations continued their certification in environmental management system in various locations. A total of 32 locations are covered by ISO 9001 certification. Of these locations, a total of 20 have been migrated to the ISO 9001:2008 certification. As of March 2013, 23 locations had been certified to the IMS.</p>

		<p>Operations' commitment is to have all the depots certified to the IMS by 2013.</p> <p>The Company also implemented various programs such as water conservation and greenhouse gas reduction programs. The Company reduced its greenhouse gas emissions by 17% from 2011 mainly due to the Flare Gas Recovery Unit it installed that re-directs waste gases back to the refinery to be used as fuel gas for its operations. And the over-all water consumption of the Company was reduced by over 8% from 2011 through an increased use of recycled water.</p> <p>The Company Head Office also observes a solid waste segregation system.</p>
Community interaction	<p>The Code of Conduct embodies Petron's commitment to be a good corporate citizen not only by complying with all relevant laws and regulations but also by actively assisting in the improvement of the quality of life of the people in the communities in which it operates with the objective of enhancing their quality of life. The Company also encourages volunteerism among its employees.</p> <p>It is part of the sustainability policy of the Company that sustaining its leadership in the local oil industry also means being at the forefront of sustainable development.</p>	<p>In February 2012, Petron was honored by the Management Association of the Philippines with the prestigious Integral CSR Award which recognized Petron's earnest efforts to make social responsibility an integral function of the entire organization manifested in every aspect of its business operations.</p> <p>Petron also received the Special Award for Environment and Sustainable Development for its entry <i>Measuring, Managing and Minimizing Our Environment Footprint in Bataan</i> for the Company's initiatives to preserve and protect the environment and promote sustainable development in the Province of Bataan.</p> <p>Petron Foundation, Inc. ("PFI") continued to be at the forefront of Petron's efforts to make a sustainable impact to society and the environment, while at the same time helping the Company</p>

attain its business goals.

Among the CSR and sustainability activities of Petron and PFI are the following:

- ***Tulong Aral ng Petron.*** *Tulong Aral ng Petron* ("Tulong Aral") is a long-term, strategic initiative that helps send poor children to school, keep them there and make sure they learn. This is the centerpiece corporate social responsibility ("CSR") program that defines what Petron stands for socially - to FUEL H.O.P.E. (Helping the Filipino children and youth Overcome Poverty through Education). *Tulong Aral* has scholarship programs for elementary, high school and college/vocational students.

At the end of 2012, *Tulong Aral*, in partnership with the Department of Social Welfare and Development ("DSWD"), the Department of Education ("DepEd") and the World Vision Development Foundation, had a total of 3,486 scholars enrolled from Grades one to six. In March of 2012, 1,100 *Tulong Aral* scholars graduated, comprised the fourth batch of children who started the program in 2006. The end of school year 2011-2012 also produced 433 outstanding students, 16 of whom graduated with first honors. A significant majority of the scholars (95.5%) were able to complete their primary education, while the drop-out rate was kept to a mere 4.5%, way below the national average of 8%.

In partnership with DepEd, DSWD, and the Land Bank of

the Philippines, a total of 372 youths received scholarships to go to high school in 26 public schools in Metro Manila. The program is being implemented for Petron by the Philippine Business for Social Progress.

For the school year 2012-2013, Petron sponsored the college education of 24 scholars pursuing different degrees from various academic institutions, the qualified of whom who can eventually earn the opportunity to be employed by Petron.

- **Petron Schools.** As a parallel effort and in support of DepEd's *Adapt-A-School Program*, PFI continued to pursue its school building program. In 2012, Petron was able to build a total of eight (8) new classrooms or four (4) Petron Schools in areas close to its depots located in Zamboanga del Norte, General Santos City and Tagbilaran City. This brought the total number of classrooms constructed to 197 or 79 schools, since 2002.

Petron also sponsored the establishment of classrooms called *Silid Pangarap* for the pre-school level in support of SMC's commitment to the AGAPP (*Aklat, Gabay, Aruga Tungo sa Pag-angat at Pag-asa*) Foundation's program of building pre-schools. Petron is building 27 classrooms, with 17 having already been turned over in Bataan, Samar, Tagaytay, Negros Oriental, South Cotabato, and Sultan Kudarat.

	<ul style="list-style-type: none"> <p>• Youth in Entrepreneurship and Leadership Development (“YIELD”) Program. One hundred third year students of the Muntinlupa Business High School (“MBHS”) learned the business of business through the YIELD program. PFI implemented the YIELD for the seventh year. YIELD has a total of 827 graduates. Under the YIELD program, the qualified MBHS students spent their summer at certain Petron company-owned and company-operated (“COCO”) stations to learn about the operations at the forecourt and back office and the rudiments of food service and business in COCO locators.</p> <p>• Skills Training Program for FEJODAP. Eight-five members of the Federation of Jeepney Operators and Drivers Association of the Philippines (“FEJODAP”) and their dependents had been given technical/vocational skills training courses since July 2012, 25 of whom have already completed their courses this year. Throughout 2013, 140 more will receive vouchers to complete the 200 FEJODAP members to receive training as pledged by the Technical Education and Skills Development Authority and PFI.</p> <p>• Promotion of Environmental Sustainability. In 2012, PFI continued to take a leading role in the implementation of the Bataan Integrated Coastal Management (“ICM”) Program in partnership with the Provincial Government of Bataan and the Global Environment Facility-United</p>
--	---

		<p>Nations Development Programme-United Nations Office for Project Services Partnerships on Environmental Management for the Seas of East Asia ("GEF-UNDP-UNOPS PEMSEA"). Its activities included guiding local government units ("LGUs") in developing the respective zoning plans in accordance with the Bataan Coastal Land and Sea Use Zoning Plan.</p> <p>Through a partnership among PFI, the Municipality of Malay in the Province of Aklan, SMC and the Boracay Foundation, Inc., the Boracay Beach Management Program ("BBMP") was adopted to attain a sustainable development of Boracay Island. The BBMP celebrated its second year anniversary in September 2012 with key accomplishments that include increased water reliability (98%) and service coverage (96%), the acquisition of two (2) seacraft for sea patrol and emergency use and upgrading of communication equipment for better risk management, the establishment of coral nurseries near depleted coral reefs around the island, mangrove reforestation to preserve and ensure the survival of the island's mangrove areas, and reforestation of the Nabaoy River Watershed. The two-year efforts of the BBMP have contributed to a host of local and international recognitions received by the island in 2012. As part of the celebration of BBMP's second anniversary celebration, Petron signed a Memorandum of Agreement with the Department of</p>
--	--	--

		<p>Natural Resources ("DENR") and the Municipality of Malay to reforest and rehabilitate 20 hectares of the Nabaoy Watershed for the next three (3) years. This commitment is also aligned with Petron's support to the DENR's National Greening Program.</p> <p>Petron also partnered with the DENR and the City Government of Marikina to support the <i>Adopt-An-Estero/Water Program</i> for the Marikina River and the DENR's National Greening Program. In 2012, the program was commenced along the 3.1 kilometer stretch of the Concepcion Creek, a major tributary of the Marikina River and identified by the Marikina City Environmental Management Office as a program pilot site with a river cleanup. The dredging and rehabilitation of the creek banks and easements and repair of bike lanes commenced on identified areas of the Concepcion Creek and are expected to be completed in April 2013.</p> <p>Petron is also committed to have its network of facilities nationwide adopt rivers and other water bodies within the proximity of their respective areas. As of 2012, the following Petron facilities have instituted their own <i>Adopt-An-Estero</i> activities:</p> <ul style="list-style-type: none"> ➤ Nasipit Depot (Talisay Creek) ➤ Davao Depot (Pampanga Creek) ➤ Gasul Operations, San Fernando, Pampanga (Dela Paz Norte Creek) ➤ Gasul Operations, Legazpi
--	--	---

		<p>City (Reniilisan Road Creek)</p> <p>➤ Palawan Depot (City Estero)</p> <p>For the National Greening Program, Petron undertook to contribute to the DENR's goal of planting 1.5 billion trees from 2011 to 2016. Together with Depot and Plant Operations, PFI established commitments to the greening campaign by the Roxas Depot (20 hectares in Nabaoy Watershed in Malay, Aklan) and the Iloilo Depot (five (5) hectares in Maasin Watershed, Iloilo Province).</p> <p>Petron also continued to work with Petron Gasul in the dredging of the two-kilometer stretch where the Marikina and Pasig Rivers meet. As of the end of 2012, the operations were more than halfway through their target, with 81% or approximately 103,000 m³ of the waterway dredged.</p> <ul style="list-style-type: none"> • Community-Based Programs. PFI and the PBR undertook strategic community programs that benefitted thousands of residents in the province such as the (a) <i>Sulong KaBataan</i> program that provided values formation, technical skills and leadership training to the youth and (b) <i>Sulong KaBarangay</i> program, a public-private partnership among the local government of Limay, DSWD, PFI, the PBR, and PinoyME Foundation, that helped establish four (4) community sub-projects and one livelihood sub-project by resident volunteers of Barangays Alangan and Lamao. In 2012, a total of 101 out of
--	--	---

		<p>school youths and 24 graduating college students from Balanga City, Municipalities of Orion and Abucay underwent values formation workshops under the <i>Sulong KaBataan</i> program and volunteers from Barangay Alangan and Lamao now supply the rug requirements of the PBR and produces doormats for local markets.</p> <p>The Petron Community Health Center within the compound of the Pandacan Terminal served a total of 1,201 patients in 2012, bringing the total number to 2,637 since March 2010.</p> <p>Petron continued to support the development of Rosario, Cavite through various CSR initiatives including the (a) rehabilitation of the waters off the coast of Rosario through the use of the artificial reef technology called REEFbuds in partnership with Yes2Life Foundation and the Rosario LGU and (b) donation of seed money to the Municipality of Rosario that allowed a total of 693 residents to secure loans to start or enhance their livelihood activities.</p> <ul style="list-style-type: none"> • Responding to Crises. Petron demonstrated its commitment anew to caring for the community when it immediately mobilized to assist hundreds of families displaced by several major typhoons that hit the country. It conducted relief operations in several cities and municipalities in Metro Manila and the provinces of Bataan, Bulacan, and Rizal when Typhoon Gener and the southwest monsoon
--	--	--

rains caused massive flooding in Metro Manila and the Central Luzon region in August 2012. In December 2012, its relief operations were brought to Compostela Valley and Davao Oriental when Typhoon Pablo hit the southern part of the Philippines.

In partnership with San Miguel Corporation, PFI also continued to support rehabilitation efforts being implemented jointly by Habitat for Humanity Philippines, Inc. and Gawad Kalinga to build houses for those displaced by Typhoon Sendong in December 2011. Petron's commitment is to help put up approximately 1,250 houses in the cities of Cagayan de Oro and Iligan.

And in line with efforts to help enhance business continuity and contribute to resilient communities, Petron partnered with the Corporate Network for Disaster Response for the Noah's Ark Project in enhancing the capabilities of LGUs and stakeholders to build disaster-resilient communities with the ultimate goal of attaining zero casualties. PFI adopted Barangay Nangka in Marikina City, one of the most disaster-prone areas in the country, for its first Noah's Ark Project.

Petron also formalized a partnership with the Department of Science and Technology to implement Project NOAH or National Operational Assessment of Hazards in its key facilities nationwide, in support of the directive of President Benigno S. Aquino III for the country to

		<p>establish a responsive program for nationwide disaster prevention and mitigation with a monitoring and early warning system along the Philippines' 18 major river basins. The aim is to be able to provide a six (6)-hour lead-time warning to vulnerable communities against impending floods utilizing advanced technology.</p> <ul style="list-style-type: none"> • Advancing Sustainability Management and Reporting. Petron published its 2011 Petron Sustainability Report ("SR"). This is Petron's 4th year of publishing an SR that presents the Company's triple bottomline accounting of its business as it impacts on the economy environment and society. It follows the Global Reporting Initiative ("GRI") international guidelines on Sustainability Reporting, with a B+ level, and checked by an independent external review committee. The 2011 SR was checked by the GRI Head Office in Amsterdam for an Application Level Check for conformity to the guidelines. Petron is only one of a handful of companies that are producing an SR, the first Filipino company to attain a B+ Level GRI Report, and the first company to successfully undergo a GRI Application Level Check using the G3 Guidelines.
Anti-corruption programmes and procedures?	The Code of Conduct expressly provides that bribes are against Petron policy and that Petron and its employees and officers shall neither solicit, receive nor offer or make, directly or indirectly, any illegal payments, remuneration, gifts, favors, commissions, donations, or comparable benefits which are	Anti-corruption is also specifically set out as a policy in the Code of Conduct and is an offense punishable by disciplinary action under the Company Rules and Regulations on Discipline. Training on anti-corruption is included in the values and

	intended or perceived to obtain business or uncompetitive favors for the conduct of its business.	leadership training seminars and employee orientation programs.
Safeguarding creditors' rights	The Code of Conduct expressly requires employees and officers at all times to be guided by the Company's vision and mission which highlight professionalism, integrity, fairness, commitment to excellence, and care of the environment as the core values of the Company. Petron insists that these values be observed in all aspects of business and expects the same in its relationships with all those with whom it does business.	Petron ensures that is able to meet its commitment as they arise. It also ensures that reports required under its facility agreements are timely delivered to the creditors.

2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?

Yes, Petron published its 2011 Petron Sustainability Report ("SR") in 2012, its 4th year of publishing an SR that presents the Company's triple bottomline accounting of its business as it impacts on the economy environment and society. It follows the Global Reporting Initiative ("GRI") international guidelines on Sustainability Reporting, with a B+ level, and checked by an independent external review committee. The 2011 SR was checked by the GRI Head Office in Amsterdam for an Application Level Check for conformity to the guidelines. Petron is only one of a handful of companies that are producing an SR, the first Filipino company to attain a B+ Level GRI Report, and the first company to successfully undergo a GRI Application Level Check using the G3 Guidelines.

The Definitive Information Statement, the 2012 annual reports (both the SEC Form 17-A and the glossy version entitled "Forging Ahead, Thinking Big") and the website of the Company also have a separate CR/sustainability section.

3) Performance-enhancing mechanisms for employee participation.

(a) What are the company's policy for its employees' safety, health, and welfare?

It is the policy of the Company to promote the safety, health and welfare of its employees. The Company has a corporate-wide health, safety and environment program. It also continues to conduct employee engagement programs that enable the employees to get fully involved in activities that both further their development and promote the interests of the Company.

To strengthen the coordination of health and safety in the Company, the Petron Safety Council was established to promote safe operations and improve the Company's safety and reliability performance. Petron also launched in 2010 its Behavior-Based Safety program that aims to cultivate a culture of *malasakit* ("looking out for each other"). It is an innovative training initiative that motivates employees to adopt safety-conscious actions and behaviors.

The Company recognizes that work life balance positively affects the employees' attitude towards their job, strengthens synergies among work groups, and fosters loyalty among employees, encouraging them to establish long-term careers with the Company. Work/life balance activities for Petron employees, such as the Art Club's painting exhibit, photography sessions, and brown bag session, were also conducted. The Company also participated in activities that continued the cultural assimilation of the Company with the San

Miguel Group and provided more synergy and productive exchanges of best practices and information. Petron employees participated in various events of the San Miguel Group that fostered camaraderie and promoted healthy such as Night Market, Valentine's/Halloween parties, Human Resources Summit, Fun Olympics, Battle of the Bands, X Factor, and the integrated Christmas party for more than 5,000 employees of the San Miguel Group. There were also inter-company sports events such as basketball, bowling, futsal, darts, badminton and billiards.

(b) Show data relating to health, safety and welfare of its employees.

The Supply and Operations Group of the Company ("S&O") achieved several milestones in their operations as well as recognitions from local government agencies. S&O achieved a significant safety milestone attaining zero Loss Time Incident ("LTI") posting a combined record of 49.4 million safe-man-hours milestone covering the whole division and its contractors as of December 31, 2012. On December 6, 2012, all 31 terminals and depots of the Company were conferred with the 2011 *Safety Milestone* ("Smile") award by the Department of Labor and Employment - Bureau of Working Conditions.

On the other hand, the Petron Bataan Refinery attained 1.4 million man-hours or 41 integrated man-days of safe refinery operations, inspite of the increased number of activities at the Petron Bataan Refinery during the year due to major turnaround and construction of pressure vessels and atmospheric tanks. Hazards and unsafe behaviors identified were addressed immediately to prevent them from causing accidents/incidents. With further regular training, safety audits and drills, the Petron Bataan Refinery attained 1,379 days work, or equivalent to 18.9 million man-hours, without loss time accident starting September 1, 2008 up to June 12, 2012.

Safety inspections were conducted at 25 depots and terminals and five (5) LPG mini refilling plants by the Company's Operations Safety Group to ensure that the plants adhere to the Company's standards on health and safety of all its employees, customers, suppliers, contractors and the general public. Safety inspections of sites at the contractors' were also done. The Company's Corporate Technical & Engineering Services Group completed safety and mechanical inspections in eight (8) depots/terminals, 60 service stations and five (5) LPG-filling plants as part of the task force assigned to check on dealers' facilities.

The Company's Operations Health, Safety and Environment rigorously required all depots and terminals to conduct drills on emergency response to enhance the competency of its personnel to a level comparable with noted disaster response organizations. A total of 72 fire drills, six (6) oil spill drills and 38 other emergency drills which includes earthquake, flood, first aid response, bomb threat and evacuation drills were conducted in all facilities nationwide.

Depots and terminals receive, store and distribute finished petroleum products and various grades of lube oils and additives. All 31 depots and terminals attained zero LTI in 2011. Depot operations subscribe to Quality, Safety and Environment Management Systems to guide personnel in maintaining the quality, safe handling and delivery of products to customers.

(c) State the company's training and development programmes for its employees. Show the data.

The Company is committed to provide its employees a work environment that helps promote their development and potential, including through the provision of training programs that will enrich competencies, develop capabilities and skills and improve knowledge.

In 2012, the Company provided various in-house, local and foreign trainings to its officers and employees and trainings specific to the Petron Bataan Refinery for total training hours of 155,187. This translates to about 9.94 training days per employee.

The programs covered by the trainings include leadership, strategic management, service excellence, technical training and safety, professional skills development, supervisory skills, creativity and innovation. Fifty-five (55) sessions of developmental interventions such as *Raise the Bar*, *Unleash Your Creativity in the Workplace*, *Corporate Image* and *Labor Management Relations* were conducted to help employees demonstrate skills, attitudes and behaviors that are in accordance with the Company's core competencies. Moreover, 26 customized training programs on leadership and management development (e.g., *Entrepreneurial Development*, *Strategic Management in a Global Environment*, and *Finance for Strategic Decision Making*) were conducted to boost leaders' ability to lead and manage change.

In addition to trainings, the Company also encourages continuing education in accredited universities and colleges through the Company's Educational Reimbursement Program.

(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

What the Company maintains is a variable pay program that is a vital component of the employees' total compensation package aimed at providing incentives for the workforce for the achievement of the Company's business goals and objectives. It encourages and rewards superior performance, achievements and behaviors based on pre-established goals and objectives, and encourages teamwork and accountability within the organization.

4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation.

Whistle-blowing Policy

Prior to the adoption by the Board on May 6, 2013 of the Company's own whistle-blowing policy, the Company, as a subsidiary of San Miguel Corporation, observed the *San Miguel Corporation and Subsidiaries Whistle-blowing Policy*, the salient terms of which are as follows:

1. Accounting, internal accounting controls, auditing or financial reporting concerns may be communicated to the General Counsel and Compliance Officer (the "Compliance Officer").
2. All communications received by the Compliance Officer will be kept confidential and all relevant communications to be distributed to the Audit Committee.
3. The Audit Committee will determine necessary or appropriate action or response; and
4. Retaliation in any form against any interested party who, in good faith, raises a concern or reports a possible violation will not to be tolerated.

Company Rules and Regulations on Discipline

It is the policy of the Company under the Company Rules and Regulations on Discipline to subject to disciplinary action any regular, probationary or casual/project employee, irrespective of position or classification, who commits an offense against the Company, its property or its property.

The Company Rules and Regulations on Discipline provides implementation guidelines that primarily require that any disciplinary action be imposed only in accordance with applicable law and regulation and subject to the requirements of due process. Any third party or employee who has knowledge of an incident covered by the Company Rules and Regulations on Discipline may report the incident to the Company. The Vice President, Department Head or immediate supervisor of the subject employee will administer the policy and secure all acts

and evidence material to the reported incident (the "Administrator").

In case of any infraction meriting a penalty of grave suspension or dismissal, the Administrator can recommend the formation of a fact-finding committee to pursue the investigation, which, in turn, can recommend the formation of a Disciplinary Action Hearing Committee if the investigation reveals substantial evidence to support the imposition of grave suspension or dismissal. The concerned employee will be informed of the charges against him and given ample opportunity to be heard and defend himself. All findings and conclusions should be supported by substantial evidence. The decision should also be communicated to the employee.

Code of Conduct

The Code of Conduct sets out Petron's policy requiring the highest possible standards of ethical and business and conduct (and also specifically covers illegal activities such as bribery). The failure to comply with the terms of the Code of Conduct will subject an employee to discipline that may include counseling, reprimand, suspension and/or termination, in addition to any civil or criminal liability under existing laws. Disciplinary measures will depend on the circumstances of the violation and due process will be followed in the process.

The Code of Conduct requires as the responsibility of every employee and officer and the policy of the Company to encourage employees and officers to ask questions, seek guidance and report suspected violations. Any individual having information or knowledge of any prohibited act is mandated to promptly report such matters to the Department Head, Vice President, Human Resources Management Department, Internal Audit or the General Counsel.

Others Means to Report

The Company also maintains its website and hotlines through which concerns of any person may be relayed to the Company for appropriate investigation and/or action.

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
SEA Refinery Corporation	4,696,885,564	50.10	SEA Refinery Corporation
San Miguel Corporation	1,702,870,560	18.16	San Miguel Corporation
Petron Corporation Employees' Retirement Plan	1,386,156,097	14.79	Petron Corporation Employees' Retirement Plan

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
None.			
TOTAL			

2) Does the Annual Report disclose the following:

Key risks	Yes.
Corporate objectives	Yes.
Financial performance indicators	Yes.
Non-financial performance indicators	Yes.
Dividend policy	Yes.
Details of whistle-blowing policy	Yes.
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes.
Training and/or continuing education programme attended by each director/commissioner	Yes.
Number of board of directors/commissioners meetings held during the year	Yes.
Attendance details of each director/commissioner in respect of meetings held	Yes.
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes.

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

3) External Auditor's fee

Name of auditor	Audit Fee in 2012 (in Pesos)	Non-Audit Fee in 2012 (professional fees for due diligence and study of various internal projects and tax consulting services; in Pesos)
Manabat Sanagustin & Co., CPAs/KPMG	5,525,000.00	7,847,039

4) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

The Company has the following modes of communication for the dissemination of information:

External modes of communication

- Company website www.petron.com.
- Email and hotline telephone
- Disclosures made with the PSE and the SEC (including periodic structured reports such as the definitive information statement, the annual report and the quarterly reports and unstructured reports)
- Regular quarterly briefings and investor conferences
- Social networking sites
- Glossy annual report
- Interview of or correspondence with Management
- Print, radio and TV announcements/communications/releases

Internal modes of communication

- the modes above-listed
- intranet (PetHub)
- corporate newsletter (PetroNews)
- email blasts
- internal memoranda

5) Date of release of audited financial report:

Audited Financial Statements for year ended December 31, 2012: April 15, 2013

6) Company Website

Does the company have a website disclosing up-to-date information about the following?

Business operations	Yes.
Financial statements/reports (current and prior years)	Yes.
Materials provided in briefings to analysts and media	Yes.
Shareholding structure	Yes.
Group corporate structure	Yes.
Downloadable annual report	Yes.
Notice of AGM and/or EGM	Yes.
Company's constitution (company's by-laws, memorandum and articles of association)	No.

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

The Articles of Incorporation and the By-laws are public documents easily accessible with the SEC. By way of update, the Articles of Incorporation and the By-laws are already available in the Company website www.petron.com.

7) Disclosure of RPT

Transactions between the Company and its parent, subsidiaries, associates and joint ventures are on an arm's length basis in a manner similar to transactions with non-related parties. Such transactions are made at normal market prices and terms. An assessment is undertaken at each financial year by examining the final position of the related party and the market in which the related party operates.

Pursuant to the requirements of the CG Manual, the Company fully and timely discloses all material information concerning its operations, including significant related party transactions (excluding the purchase of crude oil in the normal course of business).

The Company likewise discloses its related party transactions through its consolidated financial statements in accordance with PFRS and in the Definitive Information Statement and the annual report (SEC Form 17-A).

The list of the Company's related party transactions is as follows:

RPT	Relationship	Nature	Value
San Miguel Corporation	Ultimate parent	Purchase of services	Amount owed as of December 31, 2012: P20M
Petron Corporation Employees' Retirement Plan	Benefit pension plan for permanent, regular and full time employees	Interest-bearing advances	Amount owed to Petron as of December 31, 2012: P15.52B Revenue generated: P557M
Various affiliates	Affiliates under common control	Supply of bunker, diesel fuel, gasoline and lube requirements	Amount owed to Petron as of December 31, 2012: P1.97B
Various associates	Associates	Supply of bunker, diesel fuel, gasoline and lube requirements	Amount owed to Petron as of December 31, 2012: P17M
Joint venture	Joint venture	Purchase of goods and services	Amount owed by Petron as of December 31, 2012: P25M

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

Transactions with related parties are made on an arm's length basis in a manner similar to transactions with non-related parties. They are thus made at normal market prices and terms. An assessment is undertaken each financial year by examining the financial position of the related party and the market in which it operates.

And pursuant to the requirements of the CG Manual, the Company fully and timely discloses all material information concerning its operations, including significant related party transactions (excluding the purchase of crude oil in the normal course of business).

The Company likewise discloses its related party transactions through its consolidated financial statements in accordance with PFRS and in the Definitive Information Statement and the annual report (SEC Form 17-A).

J. RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

Quorum Required	Majority of the issued and outstanding capital stock of Petron entitled to vote
------------------------	---

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	The Company observes the one-vote-one-share rule.
Description	<p>The By-laws expressly provide that each stockholder shall at every meeting of the stockholders be entitled to one vote, in person or by proxy, for each share of capital stock held by such stockholder.</p> <p>In the case of election of directors, the By-laws provide for cumulative voting such that a stockholder may distribute his/her votes per share to as many persons as there are directors to be elected, or he/she may cumulate his shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of shares he/she has, or he/she may distribute them on the same principle among as many candidates as he/she shall see fit; provided, that the total number of votes cast by him/her shall not exceed the number of shares owned by him/her as shown in the books of the corporation multiplied by the whole number of directors to be elected.</p> <p>If at any meeting of the stockholders a vote by ballot shall be taken, the By-laws require that a voting committee shall be created to adopt its own rules to govern the voting and take charge of the voting proceedings and the preparation and distribution of the ballots. Each member of the voting committee, who need not be stockholders, is required to subscribe to an oath to faithfully execute his/her duties as an inspector of votes with strict impartiality and according the best of his/her ability.</p> <p>For the 2012 annual stockholders' meeting, while a balloting system was prepared and made available, balloting was dispensed with with the approval by the stockholders of the verbal motions made to approve proposed resolutions.</p>

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders' Rights under The Corporation Code	Stockholders' Rights <u>not</u> in The Corporation Code
Right to receive notices of meetings in accordance with the By-laws, which in turn, sets a 15-day rule for the delivery of the notice.	Notices of stockholders' meeting, together with the definitive information statement, are distributed no later than 15 business days before the meeting.
Right to attend stockholders' meetings	The stockholders of the Company are given the opportunity to directly ask Management and the Board during the open forum at stockholders' meetings in accordance with the guidelines set by the Company and announced at the start of the meetings
Right to remove directors with or without cause upon vote of stockholders owning 2/3 of the outstanding capital stock entitled to vote	Under the CG Manual, directors can only be removed for cause and the affirmative vote of at least 70% of the outstanding capital stock of the Company entitled to vote.

Dividends

Class of Shares	Declaration Date	Record Date	Payment Date
Common Shares	March 7, 2012	April 2, 2012	April 24, 2012
Preferred Shares	1. March 7, 2012 2. August 9, 2012	1. 2Q 2012: May 18, 2012 3Q 2012: August 16, 2012 2. 4Q 2012: November 16, 2012 1Q 2012: February 5, 2013	1. 2Q 2012: June 5, 2012 3Q 2012: September 5, 2012 2. 4Q 2012: December 5, 2012 1Q 2012: March 5, 2013

(d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

Measures Adopted	Communication Procedure
In all the stockholders' meetings of the Company, an open forum is scheduled after the presentation of the Management Report to give the stockholders the opportunity to directly ask questions or raise concerns and issues to Management and the Board.	After the Chairman has called the meeting to order, the Corporate Secretary announces that there will be an open forum after the Management Report and that, to give more stockholders the chance to ask questions, priority will be accorded to written questions given in advance. Question forms are made readily available from usherettes posted in accessible areas of the meeting venue.

<p>Representatives of the external auditors of the Company are also present at the meetings to respond to appropriate questions concerning the financial statements of the Company.</p> <p>The above measures were observed during the 2012 annual stockholders' meeting held on May 15, 2012.</p>	<p>The identity of the stockholders is requested to be indicated and/or advised to allow the Company to write or email them in the event there is further information on their concerns or if their queries or concerns are not addressed for lack of time.</p> <p>The above procedure was observed during the 2012 annual stockholders' meeting held on May 15, 2012.</p>
--	--

2. **State the company policy of asking shareholders to actively participate in corporate decisions regarding:**
- a. **Amendments to the company's constitution**
 - b. **Authorization of additional shares**
 - c. **Transfer of all or substantially all assets, which in effect results in the sale of the company**

It is the policy of the Company under the CG Manual that shareholders' voting rights in general (not only those in respect of the matters listed above) are encouraged to be exercised. The CG Manual further provides that shareholder's rights should be promoted by removing impediments to the exercise of such shareholders' rights. The Board is thus tasked to do what is necessary to remove excessive unnecessary costs and other administrative impediments to stockholders' meaningful participation in meetings and/or voting in person or by proxy.

To encourage in general the participation by the stockholders in stockholders' meetings of the Company, such meetings are held in accessible venues. As an additional measure to disseminate information on the annual stockholders' meeting, the Company publishes in newspapers of general circulation the notices of the meeting. Further, the Company does not require any document or formality for the execution of proxies other than what is required in the law, *e.g.*, proxies do not need to be notarized. In 2012, the annual stockholders' meeting was held in Edsa Shangri-La Manila Hotel located at 1 Garden Way, Ortigas Center, Mandaluyong City. In addition to the release of the notice of the meeting with the Definitive Information Statement, the notice was published in the Philippine Star and the Business Mirror on May 4, 2012.

3. **Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?**

The notices of the 2012 annual stockholders' meeting were sent in accordance with the 15-business day requirement of the SRC Rules.

- a. **Date of sending out notices:** April 23, 2012
- b. **Date of the Annual/Special Stockholders' Meeting:** May 15, 2012

4. **State, if any, questions and answers during the Annual/Special Stockholders' Meeting.**

Questions and comments were raised by stockholders during the 2012 annual stockholders' meeting. All these were documented in the minutes made available to the stockholders during the 2013 annual stockholders' meeting.

The questions and comments raised and the answers given are as follows:

- *Benefit of the acquisition by the Company of the downstream business of Exxon in Malaysia* - The Chairman explained that, with the acquisition of such integrated downstream business, the Company had extended its businesses outside the Philippines. The Company now owns and operates the Port Dickson Refinery, product terminals and a network of approximately 550 retail service stations in Malaysia.
- *Status of the Refinery Master Plan Phase 2 ("RMP-2") and the network expansion program.* - The Chairman replied that the construction of the RMP-2 was on schedule and expected to be completed in 2014. The completion of the RMP2 would enable the Company to increase its capability to process heavier crudes and convert fuel oil into a broader range of products and petrochemical products. On the network expansion program, he explained that, as of end December 2011, the Company had built about 700 new stations thereby bringing the number of its service stations to about 2,000.
- *Offer for the sale of the Refinery to the government.* - Mr. Ang emphasized that the Company was not selling the Refinery. He explained that he just raised the thought on the sale when asked how else the Company could help the government since the acquisition of the Refinery would allow the government to closely monitor importations and collect appropriate taxes and duties.
- *Effect on the Company of the recent numerous decreases in gas retail prices.* - The Chairman explained that the Company was not always able to increase retail prices even when the price of crude oil went up. The high cost of inventory of such crude oil resulted in lower margins.
- *Requirements to qualify for a retail dealership* - Mr. Ang explained that the primary requirement for operating a service station was finding a good location that the Company could buy or lease long-term.
- *Reported acquisition by the San Miguel Group of Philippine Airlines.* - Mr. Ang replied that Philippine Airlines was already an existing client and the Company would continue to sell to it at competitive prices.
- *Comments relating to providing assistance for reconciling the records of their shares and receiving dividend payments.* - The stockholders were advised to approach the stock transfer agent, SMC Stock Transfer Services Corporation, whose representatives were present at the meeting. The Chairman also suggested that the stockholders concerned visit the Office of the Corporate Secretary of the Company.
- *Suggestion on LPG delivery.* - The Chairman explained that an LPG delivery scheme was already in place but any further assistance on the matter may be brought to the attention of the Company.

5. Result of Annual/Special Stockholders' Meeting's Resolutions

The results of the 2012 annual stockholders' meeting are as follows:

Resolution	Approving	Dissenting	Abstaining
Approval of minutes of 2011 annual stockholders' meeting	8,091,356,421 (86.31%)	0 (0%)	0 (0%)
Approval of the annual rReport for year ended December 31, 2011	8,078,309,121 (86.17%)	13,047,300 (0.14%)	0 (0%)
Ratification of acts of director and officers since last annual stockholders' meeting	8,061,889,721 (85.99%)	29,466,700 (.31%)	0 (0%)

Appointment of Manabat Sanagustin Co., CPAs as external auditor	8,078,309,121 (86.17%)	13,047,300 (0.14%)	0 (0%)		
	IN FAVOR	AGAINST	ABSTAIN	UNCAST	TOTAL
Election of the Board of Directors					
Ramon S. Ang	8,077,929,221	379,900	13,047,300	101,384,368	8,192,740,789
Eric O. Recto	8,078,309,121		13,047,300	101,384,368	8,192,740,789
Eduardo M. Cojuangco Jr.	8,077,929,221	379,900	13,047,300	101,384,368	8,192,740,789
Estelito P. Mendoza	8,078,309,121		13,047,300	101,384,368	8,192,740,789
Bernardino R. Abes	8,078,309,121		13,047,300	101,384,368	8,192,740,789
Roberto V. Ongpin	8,078,309,121		13,047,300	101,384,368	8,192,740,789
Ron W. Haddock	8,078,309,121		13,047,300	101,384,368	8,192,740,789
Aurora T. Calderon	8,027,055,421	51,253,700	13,047,300	101,384,368	8,192,740,789
Mirzan Mahathir	8,078,309,121		13,047,300	101,384,368	8,192,740,789
Romela M. Bengzon	8,078,309,121		13,047,300	101,384,368	8,192,740,789
Ferdinand K. Constantino	8,027,055,421	51,253,700	13,047,300	101,384,368	8,192,740,789
Virgilio S. Jacinto	8,078,309,121		13,047,300	101,384,368	8,192,740,789
Nelly Favis-Villafuerte	8,078,309,121		13,047,300	101,384,368	8,192,740,789
Reynaldo G. David	8,078,309,121		13,047,300	101,384,368	8,192,740,789
Artemio V. Panganiban	8,078,309,121		13,047,300	101,384,368	8,192,740,789

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

Save for the election of directors where the 15 nominees who got the highest votes were announced to have been elected as directors, all proposed resolutions presented during the 2012 annual stockholders' meeting only required the majority vote of the outstanding capital stock entitled to vote. On a verbal motion made and duly seconded, each proposed resolution was approved and was announced to have been so approved by the Chairman during the meeting.

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	Reason for Modification
None.	

(f) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending In Person	% of SH In Proxy	Total % of SH attendance
Annual	<u>Directors</u> 1. Ramon S. Ang 2. Eduardo M. Cojuangco, Jr. 3. Roberto V. Ongpin	May 15, 2012	Balloting dispensed with; voting carried by motions made and	85.29%	2.10%	87.39%

	<p>4. Estelito P. Mendoza 5. Eric O. Recto 6. Mirzan Mahathir 7. Bernardino R. Abes 8. Ron W. Haddock 9. Romela M. Bengzon 10. Aurora T. Calderon 11. Ferdinand K. Constantino 12. Virgilio S. Jacinto 13. Nelly Favis-Villafuerte 14. Reynaldo G. David* 15. Artemio V. Panganiban*</p> <p><u>Officers</u></p> <p>1. Eric O. Recto – President 2. Lubin B. Nepomuceno – SVP & General Manager 3. Emmanuel E. Eraña - SVP & CFO 4. Susan Y. Yu – VP, Procurement 5. Ma. Rowena O. Cortez – VP, Supply & Operations 6. Albertito S. Sarte – VP, Treasurers & Treasurer 7. Freddie P. Yumang – VP, Refinery 8. Archie B. Gupalor – VP, National Sales 9. Efren P. Gabrillo – VP, Controllers & Controller 10. Joel Angelo C. Cruz – AVP, General Counsel, Corporate Secretary & Compliance Officer</p>		duly seconded			
--	--	--	---------------	--	--	--

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

Under the By-laws, if at any meeting of the stockholders a vote by ballot shall be taken, a voting committee shall be created to adopt its own rules to govern the voting and take charge of the voting proceedings and the preparation and distribution of the ballots. Each member of the voting committee, who need not be stockholders, is required to subscribe to an oath to faithfully execute his/her duties as an inspector of votes with strict impartiality and according the best of his/her ability.

For the 2012 annual stockholders' meeting, however, balloting was dispensed with with the approval by the stockholders of verbal motions made to approve the proposed resolutions.

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.

Yes, the By-laws expressly provide that each stockholder shall at every meeting of the stockholders be entitled to one vote, in person or by proxy, for each share of capital stock held by such stockholder.

In the case of election of directors, the By-laws provide for cumulative voting such that a stockholder may distribute his/her votes per share to as many persons as there are directors to be elected, or he/she may cumulate his shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of shares he/she has, or he/she may distribute them on the same principle among as many candidates as he/she shall see fit; provided, that the total number of votes cast by him/her shall not exceed the number of shares owned by him/her as shown in the books of the corporation multiplied by the whole number of directors to be elected.

Preferred shares of the Company are non-voting, except that the preferred stockholders have the right to vote in cases expressly provided by law such as (i) amendment of the Articles of Incorporation, (ii) amendment of the by-laws, (iii) sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all of the corporate property, (iv) incurring, creating or increasing bonded indebtedness, (v) increase or decrease of capital stock, (vi) merger or consolidation of the Company with another corporation or other corporations, (vii) investment of corporate funds in another corporation or business in accordance with the Corporation Code and (viii) dissolution of the Company.

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	Company's Policies
Execution and acceptance of proxies	The By-laws allow proxies. Proxies shall be in writing, signed by the stock holder and filed with the Corporate Secretary before the scheduled meeting. The By-laws require that all proxy forms must be received by the Company at least 10 working days before the scheduled meeting of the stockholders. In the case of a corporation, the proxy must be accompanied by a Secretary's Certificate setting out the authority of the corporate officer to execute the proxy.
Notary	Proxies need not be notarized.
Submission of Proxy	The By-laws require that all proxy forms must be received by the Company at least 10 working days before the scheduled meeting of the stockholders.
Several Proxies	The Company observes the rules on several proxies set out in the SRC Rules.
Validity of Proxy	Proxies shall be in writing, signed by the stockholder and filed with the Corporate Secretary at least 10 working days before the scheduled meeting. In the case of a corporation, the proxy must be accompanied by a Secretary's Certificate setting out the authority of the corporate officer to execute the proxy. Notarization is not required.
Proxies executed abroad	Proxies executed abroad shall be duly authenticated by the Philippine Embassy or Consular Office.
Invalidated Proxy	Invalidated proxies will not be considered for purposes of determining attendance, quorum and voting. A revocation by a stockholder either in an instrument in writing duly presented and recorded with the Corporate

	Secretary at least five (5) days prior to a scheduled meeting or by his personal presence at the meeting invalidates a proxy.
Validation of Proxy	The Board sets the date, time and place for the validation of proxies. Such date, time and place are specified in the notice of the meeting.
Violation of Proxy	Any vote made in violation of the terms of a proxy will not be considered for purposes of computing votes cast and voting results.

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	Procedure
The By-laws provide that, except as otherwise provided by statute, written or printed notice of all annual and special meetings of stockholders stating the place and time of the meeting and the general nature of the business to be considered shall be sent by facsimile, personal delivery, or by mail postage prepaid, at least 15 days before the day on which the meeting is to be held to each stockholder of record at his last known post-office address, or, at the option of the Company, by publication in a newspaper of general circulation, provided that, unless expressly required by law, no publication of any notice of a meeting of stockholders shall be required.	<p>The Company sends out the notice of any stockholders' meeting within the period set by the SRC Rules.</p> <p>And while it is not required by law, the Company publishes the notice in two (2) newspapers of general circulation. The notice of the annual meeting of the stockholders in 2012 was published in the Philippine Star and the Business Mirror on May 4, 2012.</p>

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	On April 2, 2012, the record date of the 2012 annual stockholders' meeting, the Company had 159,418 common shareholders and 124 preferred shareholders or a total of 159,542 shareholders.
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	April 23, 2012
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	April 23, 2012
State whether CD format or hard copies were distributed	The Definitive Information Statement was distributed in CD format, enclosed with a printed copy of the notice and agenda signed by the Corporate Secretary and instructions on how to

	open the files. Prior approval from the Corporation Finance Department of the SEC was obtained for the use of the CD format and the distribution of the Definitive Information Statement in such form.
If yes, indicate whether requesting stockholders were provided hard copies	Yes, hard copies of the Definitive Information Statement were made available and distributed during the date of the 2012 annual stockholders' meeting. No stockholder requested a hard copy prior to the date of the meeting.

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	Yes.
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	Yes.
The auditors to be appointed or re-appointed.	Yes.
An explanation of the dividend policy, if any dividend is to be declared.	Yes – although there was no dividend declaration requiring stockholder approval (i.e., stock dividends) was proposed during the 2012 annual stockholders' meeting.
The amount payable for final dividends.	Not applicable. The Company, through the Board, declared cash dividends.
Documents required for proxy vote.	Yes.

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

Policies	Implementation
The CG Code expressly provides that the Board is committed to respect the legal rights of the Company's stockholders in general and is responsible for promoting shareholder's rights, removing impediments to the exercise of shareholders' rights and facilitating adequate avenue for them to seek timely redress for violation of their rights.	To facilitate the exercise by the minority of their rights as minority stockholders, and in addition to the right to vote, information and inspect corporate records and the appraisal right that apply to stockholders in general, minority stockholders are also specifically granted the following rights under CG Manual:

	<ul style="list-style-type: none"> • the right to propose the holding of a meeting through the written request of one or more stockholders owning at least 20% of the total issued and outstanding capital stock of the Company entitled to vote; and • the right to propose legitimate items in the agenda of the stockholders' meeting in accordance with law, jurisprudence and best practice
--	--

(b) Do minority stockholders have a right to nominate candidates for board of directors?

Yes, minority stockholder have the right to nominate candidates for director.

K. INVESTORS RELATIONS PROGRAM

- 1) **Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.**

The Company has a Corporate Affairs Department which has a Strategic Communications Section which handles both external and internal communications. This section handles external communications with and to various stakeholders, including the media and the employees, and oversees internal communications such internal publications, media releases, the corporate intranet, and social networking sites. The Company likewise has an investor relations unit under the CFO to handle handles regular communications with institutional investors.

All information and disclosures for release are cleared and approved by the General Counsel, the CFO, the President, and the Chairman.

- 2) **Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.**

	Details
(1) Objectives	To effectively communicate the Company's performance, plans and strategies to the capital market, as well as, develop a long-term relationship of trust with stakeholders, using the discipline in finance, communication and marketing and manage the content and flow of company information/disclosures to the financial markets
(2) Principles	Provide consistent and reliable information that will assist investors in their investment decision
(3) Modes of Communications	Investors' briefings, annual stockholders' meetings, Company disclosures, investor relations meetings, roadshows, Petron website, social networking media, and responding to mail, email, telephone, and fax inquiries
(4) Investors Relations Officer	Corporate Affairs Department Telephone No. (632) 886-3888

3) **What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?**

Any major plans or extraordinary transaction of the Company is reviewed by a team that evaluates the viability of the transaction and ensures that it will have a strategic fit with the Company. Any project that passes the review is presented to the Board for approval.

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

The Company gets the services of investment banks which will provide advice on the fairness of the transaction price. In addition, the independent directors sitting in the Board can provide an objective and impartial analysis of any proposed transaction and its details, including the fairness of the valuation or the transaction price.

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

In February 2012, Petron was honored by the Management Association of the Philippines with the prestigious Integral CSR Award which recognized Petron's earnest efforts to make social responsibility an integral function of the entire organization manifested in every aspect of its business operations.

Petron also received the Special Award for Environment and Sustainable Development for its entry *Measuring, Managing and Minimizing Our Environment Footprint in Bataan* for the Company's initiatives to preserve and protect the environment and promote sustainable development in the Province of Bataan.

Petron Foundation, Inc. ("PFI") continued to be at the forefront of Petron's efforts to make a sustainable impact to society and the environment, while at the same time helping the Company attain its business goals.

Among the corporate social responsibility ("CSR") and sustainability activities of Petron and PFI are set out in the table below.

Initiative	Beneficiary
Tulong Aral ng Petron: a long-term, strategic initiative that helps send poor children to school through scholarship programs for elementary, high school and college/vocational students; Petron's centerpiece CSR program that defines what Petron stands for socially - to FUEL H.O.P.E. (Helping the Filipino children and youth Overcome Poverty through Education).	<ul style="list-style-type: none"> • 3,486 scholars enrolled in Grades one to six; • 372 enrolled in high school; • 24 enrolled in college
Petron Schools: pursuit of school building program in support of DepEd's <i>Adopt-A-School Program</i>	In 2012: eight (8) new classrooms or four (4) Petron Schools for residents in areas close to the Company's depots located in Zamboanga del Norte, General Santos City and Tagbilaran City
Silid Pangarap: building classrooms for the pre-school level in support of San Miguel Corporation's commitment to the AGAPP (Aklat, Gabay, Aruga Tungo sa Pag-angat at Pag-asa) Foundation's program	In 2012: 27 classrooms, with 17 having already been turned over for pre-school residents in Bataan, Samar, Tagaytay, Negros Oriental, South Cotabato, and Sultan Kudarat

of building pre-schools	
<p>Promotion of Environmental Sustainability:</p> <p>1. Bataan Integrated Coastal Management Program: PFI taking a lead role in the implementation of the program in partnership with the Provincial Government of Bataan and the Global Environment Facility-United Nations Development Programme-United Nations Office for Project Services Partnerships on Environmental Management for the Seas of East Asia</p> <p>2. Boracay Beach Management Program (“BBMP”): through a partnership among PFI, the Municipality of Malay in the Province of Aklan, SMC and the Boracay Foundation, Inc., adoption of BBMP to attain a sustainable development of Boracay Island</p> <p>3. <i>Adapt-An-Estero/Water Program</i>: clean up of the Concepcion Creek in Marikina</p> <p>4. National Greening Program: Undertaking to contribute to the DENR’s goal of planting 1.5 billion trees from 2011 to 2016.</p>	<p>1. Local government units in Bataan and their residents</p> <p>2. Filipinos, in general; residents and visitors to Boracay, in particular</p> <p>3. Marikina City and its residents</p> <p>4. the environment</p>
<p>Community-Based Programs:</p> <p><i>Sulong Kabataan</i>: a program for values formation, technical skills and leadership training to the youth</p> <p><i>Sulong KaBarangay</i> program, a public-private partnership among the local government of Limay, DSWD, PFI, the PBR, and PinoyME Foundation, that helped establish four (4) community sub-projects and one livelihood sub-project by resident volunteers of Barangays Alangan and Lamao</p>	Residents of Bataan
<p>Responding to Crises:</p> <p>1. <u>Relief operations</u> in (a) several cities and municipalities in Metro Manila and the provinces of Bataan, Bulacan, and Rizal when Typhoon Gener and the southwest monsoon rains caused massive flooding in Metro Manila and the Central Luzon region in August 2012 and (b) in Compostela Valley and Davao Oriental when Typhoon Pablo hit the southern part of the Philippines in December 2012</p> <p>2. <u>Building houses</u> by participating in Habitat for Humanity Philippines, Inc. and Gawad Kalinga to build houses for those displaced by Typhoon Sendong in December 2011.</p>	<p>1-3. Families affected by flooding/disaster in the various areas cited</p> <p>4. Public in general</p>

<p>3. <u>Participation in the Noah's Ark Project</u> in enhancing the capabilities of local government units and stakeholders to build disaster-resilient communities with the ultimate goal of attaining zero casualties by adopting Barangay Nangka in Marikina City for the project</p> <p>4. <u>Formalization of a partnership with the Department of Science and Technology to implement Project NOAH</u> or National Operational Assessment of Hazards in its key facilities nationwide, in support of the directive of President Benigno S. Aquino III for the country to establish a responsive program for nationwide disaster prevention and mitigation with a monitoring and early warning system along the Philippines' 18 major river basins.</p>	
<p>Skills Training Program for FEJODAP: Eight-five members of the Federation of Jeepney Operators and Drivers Association of the Philippines ("FEJODAP") and their dependents given technical/vocational skills training courses</p>	<p>FEJODAP members and their dependents</p>
<p>Youth in Entrepreneurship and Leadership Development ("YIELD") Program. One hundred third year students of the Muntinlupa Business High School spent their summer at certain Petron company-owned and company-operated stations to learn about service station operations at the forecourt and back office and the rudiments of food service and business of the locators in such stations</p>	<p>100 qualified students of the partner school</p>

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

The Company is the process of updating its appraisal process and criteria for the Board, the board committees, the individual director and the CEO and the President. The conduct of the evaluation of the performance of the named persons will be undertaken and disclosed when such updating process is completed.

N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

Violations	Sanctions
<p>The CG Manual mandates the directors, officers and employees to strictly observe and implement its provisions and provides penalties to imposed after notice and hearing on the Company's directors, officers and employees in case of violation of any of</p>	<p>The CG Manual imposes the following sanctions in case of violation of its provisions:</p> <ul style="list-style-type: none"> • In case of first violation, the offender shall be reprimanded.

<p>the provisions of the CG Manual.</p> <p>The Compliance Officer is responsible for determining violation/s through notice and hearing and recommending to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.</p>	<ul style="list-style-type: none"> • For second violation, suspension from office shall be imposed on the offender. The duration of suspension shall depend on the gravity of the violation. This penalty shall not apply to the members of the Board. • For third violation, the maximum penalty of removal from office shall be imposed on the offender. In case the offender is a member of the Board, the provision of Section 28 of the Corporation Code on removal of directors shall be observed.
---	--

A substantial number of the answers to this Annual Corporate Governance Report is based on the records and reports of the Company and not from the personal knowledge of the signatories.

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Mandaluyong on _____, 2013.

SIGNATURES



Ramon S. Ang
Chairman of the Board & Chief Executive Officer



Lubin B. Nepomuceno
President



Reynaldo G. David
Independent Director



Artemio V. Panganiban
Independent Director



Joel Angelo C. Cruz
Compliance Officer

SUBSCRIBED AND SWORN TO before me this JUL 01 2013 at Mandaluyong City, Philippines, affiants exhibiting to me the following competent forms of identification and avowed under penalty of law to the whole truth of the contents of the foregoing Certificate.

Names	Passport Number	Date/Place of Issue
Ramon S. Ang	XX0748364	11 July 2011 /DFA Manila
Lubin B. Nepomuceno	EB5027219	29 Mar 2012 / DFA Manila
Joel Angelo C. Cruz	EB6976457	19 Dec 2012 / DFA Manila
Artemio V. Panganiban	EB0110958	16 Apr 2010 / DFA Manila
Reynaldo G. David	XX3664452	08 May 2009 / DFA Manila

Doc. No. 214 :
Page No. 44 :
Book No. 1X :
Series of 2013.


ROMMEL L. BAWALAN
Notary Public for Mandaluyong City
Notary Commission No. 0333-12
Until December 31, 2013
PTR No. 1626008 1.7.2013 Mandaluyong City
IBP LRN 07098 1.7.08 Pasig City
Roll of Attorney No. 42921
SMC Head Office Complex
40 San Miguel Avenue, 1550 Mandaluyong City
MCLE Compliance No. IV-0008477 11.10.12